

# Illicit Trade Report

2012



WORLD CUSTOMS ORGANIZATION



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# TABLE OF CONTENTS

Foreword	2
Revenue section	4
Drugs section	38
IPR section	72
Environment section	92
Security section	116
CEN section	127
The WCO RILO Network – Contacts	133



# FOREWORD

This first issue of the annual World Customs Organization (WCO) Illicit Trade Report is a break from tradition. Previously, the WCO produced three reports that discussed trends and patterns in relation to Tobacco, IPR and Drugs. In recognizing the linkages between the illicit trade in different commodities and as a result of a decision taken by the WCO Council in 2011 to focus on emerging and evolving risks, a new approach has been adopted this year.

Illicit trade involves money, goods or value gained from illegal and otherwise unethical activity. It encompasses a variety of illegal trading activities, including human trafficking, environmental crime, illegal trade in natural resources, intellectual property infringements, trade in certain substances that cause health or safety risks, smuggling of excisable goods, trade in illegal drugs, and a variety of illicit financial flows.

These activities cause a wide range of economic, social, environmental or political damage. Estimates of the global retail value of illicit trade vary, but recent estimates by Global Financial Integrity

(GFI) place the total at US\$ 650 billion for goods, and at US\$ 2 trillion if illicit financial flows are included<sup>1</sup>.

Customs administrations address risk wherever it is found and, increasingly, as early in the supply chain as possible.

The WCO, through its Customs Enforcement Network (CEN), has been recording Customs seizures worldwide to allow tracking and analysis of the latest trends and patterns in relation to illicit trade. These recorded seizures do not only contribute to better knowledge about current smuggling and cross-border criminal activities but also reveal important information about evolving or emerging risks in the international Customs context.

The WCO Illicit Trade Report comprises six chapters. Each chapter is dedicated to a single thematic area : Drugs, Revenue, IPR/Health and Safety, Environment, Security and the Customs Enforcement Network. The commentary on each of these outlines our programmes, activities undertaken within the programmes and key observations associated with those activities.

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<sup>1</sup>Network of Global Agenda Councils - 2011-12 Report on Illicit Trade

In presenting this Report I would like to draw your attention to the following :

- The IPR chapter shows the continuous rise in the trafficking of fake and counterfeit pharmaceutical products that are highly dangerous to human health, largely sourced through the Internet.
- The Drugs and Environment chapters highlight the results of the operations coordinated by the WCO Secretariat that show the importance of holistic and concerted action to combat offences in these areas.
- The Security chapter reveals that the expanding instability in the Middle East is leading to a proliferation of weapons trafficking and to an increase in the trade in precursor chemicals that may be used to manufacture explosive devices.
- The Revenue chapter sets out the complexity of the commercial fraud system and highlights the efforts made by WCO Members to tackle the illicit trade in alcohol and cigarettes.

The Report concludes that though faced with a daunting task, Customs is achieving success in meeting the challenges posed by illicit trade, further demonstrating that international cooperation is a key factor in this respect. I would like to congratulate all Customs services on the results achieved and to extend my sincere appreciation to WCO Members and other contributors for the information provided to the Secretariat to make this Report possible.

Finally, I encourage all WCO Members to continue inputting their seizure information into the CEN system. The more seizures recorded, the better and more thorough the analytical products that the WCO and our RILO network will be able to produce for you.

I hope that this first ever WCO Illicit Trade Report will prove interesting and useful reading for all Customs officers engaged on a daily basis in combating illicit trade on the front line.



**Kunio Mikuriya**  
*Secretary General*  
World Customs Organization





# REVENUE PROGRAMME

*Under the umbrella of the “Revenue Programme”, various initiatives have been launched to provide guidance or to support the operational activities of WCO Member administrations in a broad variety of sectors which have a direct or indirect impact on fair and efficient revenue collection and/or compliance and enforcement in relation to smuggling or other areas of commercial fraud.*



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# INTRODUCTION



*Seizure of 7.79 kg of jewellery not declared at export at Skopje international airport*

*Photo courtesy of The Former Yugoslav Republic of Macedonia Customs.*

These sectors cover topics such as “Transit Fraud”, “Trans-shipment Fraud”, “Origin Fraud” (including typologies of the aforementioned Commercial Fraud sectors), Excise duty evasion, the use of Valuation databases for risk-assessment purposes, trafficking in “conflict diamonds” (“Kimberley Process”), Post-Clearance Audit (PCA), operational practices for enforcement and seizures, trade transparency and money laundering.

Commercial Fraud not only causes significant financial damage to the government’s budget and the economic stability/competitiveness of compliant traders, it may also be a source to finance terrorist or other criminal activities. Trafficking in cigarettes is, next to trafficking in drugs, assumed to be one of main sources to fund terrorist activities in the sub-Saharan region where criminals involved in this trafficking closely cooperate with regional terrorist groups.

The WCO “Working Group on Commercial Fraud” is where experts gather to discuss pertinent issues relating to these topics, exchange information on latest trends and propose new joint operational activities to mitigate these risks. The “Working Group on Commercial Fraud” reports to the WCO “Enforcement Committee”. During its meeting in 2012, the delegates of the “Enforcement Committee” decided to include Environmental Crime in the agenda of the “Working Group on Commercial Fraud”.

Taking into account the width and complexity of the topics that fall under the umbrella of the “Revenue Programme”, this chapter will highlight some of the recent developments in selected areas.

# TRANSIT FRAUD

The Revised Kyoto Convention defines the Customs transit as “the Customs procedure under which goods are transported under Customs control from one place to another” (Specific Annex E-Chapter 1).

Moving goods from one point to another is the basis of most commercial activities.

When entering a Customs territory, goods are normally liable to import duties and taxes. Subsequent re-exportation does not necessarily give entitlement to a repayment. For this reason, the legislation of most countries/territories contains provisions under which goods that are in transit may enter and exit without payment of import or export duties and taxes, where the goods being transported are under Customs control to ensure compliance with national requirements. The procedure under which such movements are made is termed “Customs transit”.

When goods are required to move from one Customs office to another within one Customs territory, this is referred to as “national transit”. When the Customs offices are in more than one Customs territory, this is referred to as “international transit”.

Goods (or merchandise) may be described as “in-bond” when a bond (or security) has been posted to cover the importation of the goods, but the goods have not yet been released for entry into free circulation or other legal disposition. Goods under Customs transit may not be used in the territory being transited. If the goods are brought into use, a further Customs procedure is necessary. In fact, transit is always followed by another Customs procedure, such as clearance for home use, warehousing, temporary admission or a new transit procedure.

Transit fraud normally involves the evasion of Customs duties and taxes and/or the avoidance of existing restrictions or prohibitions by the abuse of the transit procedures under which the goods are passing through the Customs territory. These activities can normally include the diversion of goods into the local commerce, the substitution of inferior and lower quality goods or the use of substituted and false documents.

In order to understand how goods are diverted from the Customs transit (or in-bond system), it is necessary to know the basics of this system. There are three types of transit, and all start with the arrival of foreign goods that are not intended to remain or be consumed in the arrival country, namely:

- **Immediate exportation (IE)** – i.e. foreign goods are exported from the port of arrival without payment of duty;
- **Transportation and Exportation (T&E)** – i.e. foreign goods are transiting the territory in-bond for exportation at a destination port, without the payment of duty; and
- **Immediate Transportation (IT)** – i.e. foreign goods arrive at a port of entry and are transported to another port where a super-seeding entry will be filed by the importer or broker.

Diversion typically occurs when goods that should have been exported from the Customs territory are surreptitiously and illegally entered into the commerce of the territory.

Diversion occurs when imported goods are removed from containers in transit between the initial port of entry, a bonded facility or place of exit from the territory. Diversion can also occur when there is a “turn around” of containers between the initial port of entry and the alleged port of export. Other schemes involve the diversion and subsequent domestic consumption of goods that have entered into a free zone, or imported goods improperly described and not physically examined by Customs, which are then entered into the territory.

The implications of transit fraud are not necessarily limited to the government revenue. Unauthorized access to, and/or the diversion of the goods under Customs transit could have significant impacts on public health and security.

The WCO “Enforcement Guide against Customs Transit Fraud” contains a large number of possible indicators of transit fraud for the pre-entry and entry phase, the transit phase and the export/termination of the transit phase, along with possible options for investigative tactics in this area.

# TRANS-SHIPMENT FRAUD

The Guidelines to Specific Annex E, Chapter 2, of the Revised Kyoto Convention (RKC) define the term “Trans-shipment” as follows:

“**Trans-shipment**” means the Customs procedure under which goods are transferred under Customs control from the importing means of transport to the exporting means of transport within the area of one Customs office, which is the office of both importation and exportation.

This definition refers to a procedure under a Customs regime.

“Trans-shipments” in a technical sense, for instance via a Free Zone (example: from one ship to another in a Free Port), are not considered to be “Trans-shipments” in the framework of Specific Annex E, Chapter 2 of the RKC.

Operations in Free Zones are subject to the procedures outlined in Specific Annex D2 of the RKC (which has only been accepted by few Contracting Parties of the RKC).

Most cases of Trans-shipment fraud are, in their substance origin fraud, whereby the true country of origin of the goods is either concealed or falsified to give the impression that they originate from the country where the trans-shipment takes place. This is normally done to secure wrongful access to preference regimes (often involving tariff quotas) in the countries of final destination.

As a means to perpetrate this fraud and to reinforce the impression that the goods come from the trans-shipment country instead of their true country of origin:

- false certificates of origin are prepared;
- other supporting documents such as invoices/bills of lading etc. are manipulated;
- the labelling and boxing of the original goods are switched;

The trans-shipment mechanism can also be exploited in combination with other Customs regimes to commit import duty/tax fraud in the trans-shipment country. For example, trans-shipment is often combined with inward processing relief and transit regimes whereby goods are brought into the Customs territory for manufacturing or finishing and are then exported, often under import duty/tax suspension or drawback procedures. The import duty/tax fraud occurs when the whole, or part of the import consignment, is switched for cheaper, home-produced goods which are then exported whilst the imported goods are diverted for sale without the collection or payment of duty/tax to the home market.

Trans-shipments via Free Zones are of particular concern to Customs administrations worldwide as they provide opportunities for fraudulent manipulations as described before, and pose potential security risks. Consistent with the purposes of Free Zones, goods introduced into these areas are, in many jurisdictions, not subject to Customs controls.

When goods are reloaded into new containers or shipments are split between several containers, the tracking of the supply chain (via various commercial container-tracking systems) is interrupted. Without a seamless traceability of the transport chain (also via Free Zones) and

the absence of appropriate control mechanisms, it is not possible to meet the requirements as set out in the WCO SAFE Framework of Standards to secure and facilitate global trade (“SAFE Framework”).

In the current social and economic environment, where security issues are of paramount importance, such risks should not be left unaddressed. Since the Free Zone system has become an integral part of the trade policy of many WCO Members, an appropriate risk assessment should be implemented urgently. This would lead to the improvement of compliance and reduce the potential risk of being exploited for commercial fraud purposes. WCO Member jurisdictions are therefore encouraged to accede to Specific Annex D, Chapter 2 of the Revised Kyoto Convention (RKC) which provides for adequate standards for Free Zone operations.

The Financial Action Task Force (FATF) also supports appropriate due diligence measures on operators in Free Zones to prevent Money Laundering/Terrorist Financing activities<sup>1</sup>.

The WCO “Customs Enforcement Guide against Trans-shipment Fraud” contains additional recommendations to address the risks related to Trans-shipment Fraud.

The following U.S. case of Trans-shipment Fraud was discovered and investigated based on the detection of false U.S. Customs stamps on documents, which could be traced back to a Customs broker in the U.S.:

*A Customs broker pleaded guilty on Thursday to charges stemming from a probe by U.S. Immigration and Customs Enforcement’s (ICE) Homeland Security Investigations (HSI) that revealed he had orchestrated a wide-ranging conspiracy involving the fraudulent importation of more than \$100 million of Chinese and other foreign-made goods into the United States without paying customs duties.*

*He admitted in his plea agreement that he ran the elaborate multi-million dollar importation scheme, which resulted in revenue losses for federal, state and other taxing authorities of more than \$18 million. He further admitted that he aided co-conspirators by wiring money out of the United States to a business account in Hong Kong. As part of the scheme, the Customs broker and other co-defendants procured foreign goods, such as Chinese-made clothing and cigarettes manufactured in India, that were transported via ship to the Port of Long Beach. Before the goods entered the United States, he directed other members of the conspiracy to prepare fraudulent paperwork and make erroneous entries into a government database so it appeared that the goods were being trans-shipped to Mexico and not subject to customs duties. However, instead of trans-shipping the goods to Mexico, the merchandise was delivered to warehouses in Southern California and eventually sold in the U.S. for less than similar items offered by their law-abiding competitors.*

<sup>1</sup> FATF Typology document “Money Laundering vulnerabilities of Free Trade Zones” (March 2010).



# ORIGIN FRAUD

Chapter 1 of the Revised Kyoto Convention (RKC) Specific Annex K defines “country of origin of goods” as the country in which the goods have been produced or manufactured, according to the criteria laid down for the purposes of applying the Customs tariff, of quantitative restrictions or of any other measure related to trade.

When defining “rules of origin”, the RKC explains them as the specific provisions, developed from principles established by national legislation or international agreements (“origin criteria”), applied by a country to determine the origin of goods;

In the context of the aforementioned definitions, “origin fraud” means any intentional attempt to violate or abuse the rules of origin and/or origin-related Customs documentary requirements as laid down by domestic laws/regulations, bilateral or multi-lateral agreements in force in the country concerned.

The motivations to commit origin fraud may vary from case to case, but most of them are perpetrated with the intention of:

- potentially securing illicit access to preferential duty rates;
- achieving the importation of goods normally subject to prohibitions or restrictions in the country of destination;
- illegally penetrating the market of a country and thus gain commercial advantage (i.e. disguising the origin marking to benefit from a better public perception);
- circumventing trade, restrictions, sanctions or embargoes;
- evading quota restrictions and countervailing or anti-dumping duties.

Origin fraud can be attempted in several ways, such as:

- Falsification of certificates of origin or other documentary evidence of origin such as invoices/bills of lading etc.;
- Concealing the true origin of goods by trans-shipping them through a third country. Back-to-back bills of lading and other documents may be prepared at this stage to give the impression that the goods originate from the third country.
- Physically changing the presentation of the goods during trans-shipment. This might be done through re-boxing, re-packaging or re-labelling the goods.
- Combining the goods of one country with those of another to conceal the true country of origin.

The WCO “Enforcement Guide against Origin Fraud” contains possible indicators and recommendations to address the risks related to Origin Fraud.

A recent press release (February 2013) from the U.S. Immigration Customs Enforcement (ICE) and U.S. Customs and Border Protection (CBP) illustrates the close inter-relation between Trans-shipment Fraud and Origin Fraud:

*Five individuals and two domestic honey-processing companies have been charged with federal crimes in connection with a U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI)-led investigation surrounding illegal importations of honey from China.*

*The charges assert that the Chinese-origin honey was mis-declared as other commodities upon importation into the United States and trans-shipped through other countries to evade anti-dumping duties. Altogether, the seven defendants allegedly evaded anti-dumping duties totalling more than \$180 million.*

*According to industry experts, anti-dumping circumvention schemes like the one announced today create a divergent market which negatively affects legitimate business.*

*In December 2001, the Commerce Department determined that Chinese-origin honey was being sold in the United States at less than fair market value, and imposed anti-dumping duties. The duties were as high as 221 per cent of the declared value, and later were assessed against the entered net weight, currently at \$2.63 per net kilogram, in addition to a honey assessment fee of one U.S. cent per pound of all honey.*

*In 2008, federal authorities began investigating allegations involving circumventing anti-dumping duties through illegal imports, including trans-shipment and mislabelling on the supply side of the honey industry. The investigation resulted in charges against 14 individuals, including executives of Company A and several affiliated companies of the German food conglomerate. The defendants were charged with allegedly evading approximately \$80 million in anti-dumping duties on Chinese-origin honey. Authorities seized and forfeited more than 3,000 drums of honey that had illegally entered the United States.*

*The second phase of the investigation involves allegations of illegal buying, processing and trading of honey that illegally entered the United States on the demand side of the industry. Some of that honey was adulterated with antibiotics not approved by the Food and Drug Administration (FDA) for use in honey. None of the charges allege any instances of illness or other public health consequences attributed to consumption of the honey. The investigation is continuing.*

# DRAWBACK FRAUD

The Guidelines to Specific Annex F, Chapter 3, of the Revised Kyoto Convention (RKC) defines the “drawback procedure” as follows:

“**Drawback procedure**” means the Customs procedure which, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods or on materials contained in them or consumed in their production.”

Drawback fraud can be attempted in several ways, such as:

- Substitution of a commodity
- Incorrect quantity declared
- Fictitious export
- Goods originally smuggled into the national territory
- Goods originally classified under a duty relief scheme.

## Substitution of commodities

Where other goods are substituted for the goods on which drawback has been claimed, the substitution can occur in two ways:

- A legitimate product that is not the product on which drawback has been claimed may be exported, e.g. shirts may be exported instead of suits.
- An item of little or no commercial value may be exported in place of the product on which drawback has been claimed, e.g. scraps/rags are exported instead of suits.

In both scenarios a claim for drawback is generally presented to Customs after the goods have been exported.

## Incorrect quantities

Regarding incorrect quantities one could find that the quantity of goods exported is lower than the quantity claimed.

## Fictitious exportations

In the case of fictitious exportations (where no goods have been really exported) claims for drawback can be made when duties have already been repaid under another procedure, or on goods upon which import duties have not been paid.

## Other scenarios

Drawback fraud can also occur in relation to goods originally smuggled into the national territory and with goods originally classified under a duty relief scheme.

The WCO “Customs Enforcement Guide against Drawback Fraud” contains indicators and recommendations to address the risks related to Drawback Fraud.

A case study which illustrates the typology of drawback fraud (and is also a Trade-based Money Laundering scheme) is extracted from the WCO “Commercial Fraud Typologies Summary” which is available on the WCO Website:

**Overvaluation of exported goods:** *Specific information was obtained that an exporter from Country A is exporting Ready-Made Garments at highly over-invoiced prices to Country X with an intention to claim higher refund of duties by way of drawback. This information was analysed in detail and investigations were carried out by Country A's Directorate of Revenue Intelligence. After investigation, it was found that the goods were highly over-invoiced and the value declared before X Customs was different than that declared before Country A's Customs.*

*Further, inquiry into the remittance of foreign exchange indicated that the remittance had come from a Hawala operator in Country Y on behalf of X consignee through telegraphic transfers into the account of the Country A exporter. These unrelated remittances were deposited into several accounts in the same bank by the exporter, who then withdrew them for further delivery to the Hawala operators in Country A. This cycle was repeated over and over again. Thus, the Country A exporter showed an achievement of export proceeds of approx USD 9 million (unrelated remittance) without receiving payment from the overseas buyers (consignee), and was availed of inadmissible refund of taxes amounting to approx. USD 1 million.*

# ILLICIT TRADE IN TOBACCO PRODUCTS

## Initiatives

### *The Protocol to Eliminate Illicit Trade in Tobacco Products*

On 12 November 2012, in Seoul, Republic of Korea, the Protocol to Eliminate Illicit Trade in Tobacco Products was adopted by the fifth session of the Conference of the Parties (COP) of the WHO Framework Convention on Tobacco Control (FCTC). It builds upon and complements Article 15 of the Convention (Illicit Trade in tobacco products) that was finalised to eliminate all forms of illicit trade in tobacco products.

The Conference of the Parties (COP) to the WHO FCTC established at its second session in July 2007 the Intergovernmental Negotiating Body (INB) mandated with drafting and negotiating a protocol on illicit trade in tobacco products. The INB was chaired by a representative of the European Union and held five sessions in Geneva: in February 2008, October 2008, June 2009, March 2010 and March/April 2012. At its fifth session, on 4 April 2012, the INB agreed on a draft text of a protocol to eliminate illicit trade in tobacco products. The WCO Secretariat actively participated in all the sessions of the INB.

The Protocol was developed in response to the growing international movement of illicit trade in tobacco products which poses a serious threat to public health. Illicit trade increases the accessibility and affordability of tobacco products thus fuelling the tobacco consumption and undermining tobacco control policies. It also causes substantial losses to government revenues, and, at the same time, contributes to the funding of transnational criminal activities. Illicit trade in tobacco products has disproportionate economic and social implications on developing countries and countries with economies in transition.

The protocol, in its preamble, stresses that Parties shall take "into account that effective action to prevent and combat illicit trade in tobacco products requires a comprehensive international approach to, and close cooperation on, all aspects of illicit trade". The Protocol makes specific reference to enhanced cooperation between the Convention Secretariat and the UN Office on Drugs and Crime (UNODC) and the World Customs Organization (WCO) and other bodies, as appropriate.

During the negotiations, Part III of the Protocol, the "Supply Chain Control" has often been referred to as the "Heart of the Protocol". As a central provision, it requires that a global tracking and tracing regime shall be established within five years of entry into force of the Protocol, comprising national and/or regional tracking and tracing systems and a global information-sharing point, located at the Convention Secretariat within the WHO.

Based on Article 8 of the Protocol, Parties shall require, within 5 years of entry into force, that "unique, secure and non-removable identification markings" (like codes or stamps) are affixed to unit packets and packages and the outside packaging of cigarettes; within 10 years for other tobacco products. Information to determine the ori-

gin, the point of diversion of tobacco products, information on monitoring and controlling the movement of tobacco products as well as their legal status has to be recorded and made available. This information will include the date and location of manufacture, the manufacturing facility, data on the first customer, the intended market of retail sale and the intended route of the shipment.

Regarding the track-and-trace system, the Protocol clarifies that obligations assigned to Parties shall not be performed by, or delegated to, the tobacco industry. At the same time, the Protocol plans shall ensure that the interaction of the parties with the tobacco industry shall be limited to the extent strictly necessary for the implementation of the track-and-trace system. The parties may require the tobacco industry to bear any costs associated with the track-and-trace system.

Other provisions to ensure the control of the supply chain cover licensing (Article 6), due diligence (Article 7) and record keeping (Article 9). Parties shall establish a mandatory licensing system for anyone manufacturing, importing or exporting tobacco products and manufacturing equipment. Other activities such as retailing or tobacco growing can be made subject to licensing. Any person engaged in the supply chain of tobacco, tobacco products and manufacturing equipment has to conduct due diligence (a list details which information has to be obtained and updated).

All persons engaged in the supply chain shall be obliged to maintain complete and accurate records and to take measures to prevent the diversion of tobacco products into illicit trade channels, such as reporting cross-border transfers of cash to the competent authority. The protocol establishes security and preventative measures, as well as measures in relation to sales through Internet and telecommunication (Article 11), duty-free sales (Article 13), and free zones and international transit (Article 12). Parties shall consider banning retail sales of tobacco products through the Internet, telecommunication or other evolving technologies. Regarding manufacturing and transactions in free zones, effective control measures shall be implemented within 3 years of entry into force of the Protocol. Intermingling of tobacco products with non-tobacco products at time of removal from free zones shall be prohibited. Duty-free sales shall be subject to all the relevant provisions of the Protocol; in addition, an evidence-based research is to be conducted to ascertain the extent of illicit trade related through duty-free sales (no later than 5 years after entry into force).

The Protocol also covers important matters concerning offences, including liability (Arts. 14 and 15), prosecutions and sanctions (Art. 16), seizure payments (Art. 17) and special investigative techniques (Art. 19), as well as the disposal and destruction of confiscated products (Art. 18).

Another important section addresses international cooperation, such as measures concerning information sharing (Arts. 20, 21 and 22), technical and law-enforcement cooperation (Arts. 23, 24 and 27), protection of sovereignty (Art. 25), jurisdiction (Art. 26), mutual legal and administrative assistance (Arts. 28 and 29) and extradition (Art. 30).





*Adoption of the Protocol to Eliminate Illicit Trade in Tobacco Products by the 5th Session of the Conference of the Parties (COP) to the World Health Organization (WHO) Framework Convention on Tobacco Control (FCTC)*

*Photo courtesy of WHO FCTC.*

The Protocol also establishes the reporting obligations of the Parties as part of the reporting system of the WHO FCTC, including the financial and institutional arrangements necessary for its implementation.

Article 33 deals with the Meeting of the Parties (MOP) as the governing body of the Protocol. It will comprise all Parties to the Protocol. Sessions of the MOP shall be convened immediately before or immediately after the sessions of the Conference of the Parties (COP), including the first session following the entry into force.

At the national level, each Party shall provide financial support in respect of its national activities intended to achieve the objective of the Protocol, in accordance with its national plans, priorities and programmes (Article 36). The Secretariat of the Framework Convention on Tobacco Control shall advise lower-resource Parties, upon request, on available sources of funding.

The Protocol was opened for signature and ratification by all Parties on 10 January 2013 at WHO headquarters in Geneva.

By the end of March 2013, 14 signatories acceded to the Protocol: China, Colombia, France, Gabon, Libya, Myanmar, Nicaragua, Panama, Republic of Korea, South Africa, Syrian Arab Republic,

Tunisia, Turkey and Uruguay. It will remain open for signature at the UN headquarters in New York until 9 January 2014.

The Protocol enters into force on the 90th day following the date of deposit of the 40th instrument of ratification.

The Secretariat of the FCTC, supported by the WCO, will carry out the necessary activities to raise awareness of the Protocol and to provide assistance to Parties, upon request, in the process to accede to the Protocol. This preparatory work will include, in particular, establishing coordination with international organisations with expertise in Protocol-related matters, conducting a study of the basic requirements of the tracking-and-tracing regime and the global information-sharing focal point, including the best practices available, and developing a self-assessment checklist for use by Parties in assessing their legal, regulatory and policy frameworks in view of the requirements of the Protocol and in order to scope the Parties' technical assistance and capacity-building needs.

#### **FATF Guidance**

The Financial Action Task Force (FATF) conducted a study into money laundering and terror financing associated with the Illicit Trade in Tobacco. The WCO Secretariat and several WCO Member administrations participated to this activity.

The research methodology (which was essentially based on



Seizure of cigarettes

Photo courtesy of Hong Kong, China Customs.

questionnaires) was designed to evaluate the following research propositions:

- Illicit trade in tobacco is an important predicate offence of money laundering;
- The proceeds of illicit trade in tobacco are used to fund terrorism;
- Law Enforcement often regards the effect of the illicit trade in tobacco as insignificant when compared to trade in other forms of contraband;
- Financial Intelligence Unit suspicious transaction reports will be insignificant in terms of identifying illicit trade in tobacco as a predicate to money laundering or terrorist funding;
- Despite the threat of civil or criminal investigations and disruption, illicit trade in tobacco represents a good opportunity for organised crime groups and/or terrorist groups to generate large sums of criminal profits;
- The proceeds of illicit trade in tobacco are either laundered or used to fund other crimes and/or terrorism;
- The use of trade in tobacco products is significant for the trade-based money-laundering typology;
- High taxes on tobacco stimulate illicit trade in tobacco.

From the responses received from Customs administrations, a discrepancy between the investigation of the predicate offence and any associated money-laundering investigation emerged.

Many of the Customs authorities do not have 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 offences. Moreover, the importance of information collection and sharing at national and international level was highlighted as it helps to develop strategies to respond to this threat.

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. The remaining respondents refer these investigations to other agencies, such as the Police, the Financial Intelligence Unit or a specified anti-money-laundering agency.

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



Seizure of cigarettes concealed in a fuel tanker lorry



photos courtesy of Mozambique Customs.

The FATF documents conclude that:

*The general conclusions of the research referred that the low detection rates, low levels of prosecution for offenders, easy payment of fines (pre-determined financial risk), lacking cooperation, coordination and information sharing at national and international levels as well as the lacking of a common strategic impetus, as to be regarded as factors contributing to towards illicit tobacco trade and consequential money laundering and terror funding to happen.*

*On the other hand, where jurisdictions have chosen to pursue illicit tobacco trade and associated money laundering and terror funding to stem from it, great successes have been attained. Several of the case studies provided attests to this and can operate as an incentive for the FATF to highlight more prominent responses were viewed from a jurisdictional perspective. This is especially so with respect to government agency reporting obligations as well as closer cooperation with international bodies where requested.*

*It is trusted that this document will highlight the need to enhance international cooperation and recognize the illicit trade in tobacco as a significant global money laundering and terror financing threat. Future challenges include the identification of financial pinch points, enhancing money-laundering investigations as well as providing improved standardized data to member countries to assist in the shaping of strategic and tactical responses to the illicit trade in tobacco.*

## Projects

### Project “Crocodile”

Project “Crocodile” aims to trace suspicious cigarette shipments through a mechanism of export and arrival notifications. Since 2004, RILO AP has been playing the role of coordinator and acting as a regional intelligence hub. Currently, this Project has a membership of 18 administrations viz. Australia, Brunei Darussalam, China, Hong Kong, China, Indonesia, Iran, Japan, Korea, Macau, China, Malaysia, New Zealand, Pakistan, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam. In 2012, RILO AP handled 688 export notifications and 321 arrival notifications in respect of suspicious

cigarette shipments. When shipments involved other non-AP countries, RILO AP also alerted the relevant RILO in the respective region. Through this project, Member administrations effectively monitored cigarette shipments and successfully countered cigarette smuggling in the AP region.

## Operations

### Operation “Meerkat”

The World Customs Organization (WCO), in cooperation with Interpol, proposed a joint operational project targeting the smuggling and trade in illicit cigarettes, tobacco and alcohol products within the Eastern and Southern Africa Region.

An operation named “Meerkat” focused on joint Police and Customs interdictions targeting illicit tobacco products imported, exported or in-transit through the participating countries of the operation. This initiative was implemented from 23 to 29 July 2012. The Operation Coordination Unit, situated at the WCO RILO in Nairobi, monitored the exchange of information between the participants. It was supported by INTERPOL’s Regional Bureaus in Nairobi and Zimbabwe and by officials from the WCO Secretariat and INTERPOL’s Trafficking in Illicit Goods Programme. Participating countries during Operation “Meerkat” were Angola, Kenya, Mozambique, Namibia, South Africa, Tanzania and Zimbabwe. The exchange and use of information during the Operation was facilitated by a tailor-made CENcomm application.

More than 32 million cigarettes (equivalent to 1.6 million packets), 134 tons of raw tobacco and almost 3,000 litres of alcohol were seized, resulting in a number of administrative investigations into tax evasion and other potential criminal offences by the national authorities.

The number of products seized and the networks uncovered during the operation confirms the truly international scale of illicit trade in tobacco products. It also illustrated the advantages of a close Police-Customs cooperation.





### **Operation “Tax Cobra”**

Slovakian officials discovered a 700-metre tunnel, equipped with its own train to smuggle goods and possibly people from neighbouring Ukraine into the European Union (EU) in July 2012. The location of the tunnel was identified with the help of geometrical tools. Officers of the Criminal Investigation Office of the Financial Administration entered an unoccupied estate on which there was building construction equipment.

A hidden entrance to a tunnel, which was built with professional mining technology, was discovered. The tunnel measured around one metre in diameter and varied in depth between three and six metres below ground. It was equipped with tracks and a trolley for transporting goods. This discovery resulted in the seizure of 3,650 cartons of “Jin Ling” cigarettes, 2,350 cartons of “Classic Blue” cigarettes, 3,700 cartons of “Classic Red” cigarettes and 3,400 cartons of “LM red” cigarettes. The total amount of the seized tobacco products was 13,100 cartons, which correspond to a tax and duty evasion of 350,744 euro. Based on intelligence, it was established that the tunnel was used 2-3 times a week which corresponds to an estimated tax evasion of 50 million euro per year. As the warning labels on the seized cigarette packing were written in English, it is to be assumed that the cigarettes were not destined for the Slovak market.

Slovak authorities arrested two suspects on the spot. In cooperation with Ukraine officials, it was found out that tunnel leads to a family



*Tunnel for smuggling cigarettes from Ukraine into the European Union*

Photos courtesy of Slovak Customs.

residence in the city of Uzgorod in the territory of Ukraine. Slovakian and Ukrainian authorities closely cooperated in the subsequent investigations concerning this case.

### **Operation “Shadow V”**

During the operational phase of “Shadow V” (10 days in March 2012), the Customs and Police administrations of 13 countries in the Eastern European region seized a total of 2,790,360 cigarettes,



*Illegal production of cigarettes*

*Photos courtesy of Czech Customs.*

1,115,400 cigarette filters, 69,780 cigarette papers, 828.84 kg of raw tobacco and 119.45 kg of smoking tobacco. Approximately 50% of all seizures (in total: 32) took place at land-border crossing points, 13 seizures inland and two seizures took place at the border of a free-trade zone. Vehicles were used as the main means of transportation for smuggling.

The most frequently smuggled cigarette brands were “Lucky Strike”, “Gold Classic” and “Marlboro”. The results of Operation “Shadow V” confirm the existing trends and routes of cigarette smuggling from Eastern Europe to Western and Southern Europe and reiterate the significance of smuggling in numerous smaller quantities of cigarettes for the illicit cigarette market in Europe.

#### **Operation “Aramis”**

Operation “Aramis” is a combined operation developed by the French, Andorran and Spanish Customs administrations against tobacco trafficking from Andorra. It was the first tripartite international Franco-Spanish-Andorran action to fight against smuggled tobacco.

During the first phase, activities focused on information exchange on criminal organisations specialising in tobacco and cigarette trafficking in this region. Later, officials from the Customs Regional Directorates of Perpignan and Toulouse (France), from Cataluña (Spain) and from Andorran Customs agreed to launch joint patrols while intensifying checks at the border crossings of Andorra with France and Spain.

In the course of operation “ARAMIS”, almost 3.3 million cigarettes and 400 cigars were seized at the customs control points and in the

course of other checks resulting from the coordination between countries. The operation allowed them to test the capacity of mobilisation in establishing joint control devices and coordinated actions to combat structured and large-scale trafficking of tobacco.

### **Criminal phenomena**

#### **Illegal manufacturing**

This section deals with illegal cigarette factories as sources for counterfeit tobacco products. The production takes place in hidden facilities, the production is without controls on the quality of the process and on the raw materials (which often is of poor quality). Members reported that tobacco leaves contained unacceptable levels of nicotine, tar, carbon monoxide, arsenic and cadmium. Cigarettes are placed in packages that incredibly similar to the original ones and, in a number of cases, even carry fake tax stamps.

In most of the cases, the health-risk warnings printed on the packages are in the language and the font of the country of destination to imitate the genuine product as well as possible. In 2012, several illegal factories were dismantled. The following case studies represent only a selection of the illegal production sites identified. Additional cases were investigated in Slovakia and Poland.

#### **Czech Republic**

In 2012, Czech Customs discovered two illegal production facilities. The first operation, code name “DESTA”, refers to a production site discovered on the premises of a former co-operative farm which was managed by Moldovan nationals. The land property was registered under the name of a Romanian national. In the course of the investigations it was revealed that the identification documents of this person were false. The investigations by Czech Customs resulted in the seizure of:

- 19,780 pieces of cigarettes, not yet labelled, bearing counterfeit tobacco stamps from the Republic of Moldova;
- 2,076 kg of cut tobacco;
- 1 complete production line for the production and rolling of cigarettes;



*Illegal production of cigarettes*



*Photos courtesy of United Kingdom HM Revenue & Customs.*

- 1 unassembled machine for the production and rolling of cigarettes;
- 400,000 pieces of high-quality counterfeit tax stamps from the Republic of Moldova;
- 500,000 pieces of unfolded packets "CLASSIC red" with description and text in the Moldovan language;
- various other accessories for the production of cigarettes.

The potential tax losses in this case amount to 3,022,556 Czech crowns, equivalent to the amount of 117,371 euro.

During the second operation, code named "SANDÁL", a large and state-of the art illegal cigarette production facility was discovered in various places. The search of these premises resulted in the seizure of:

- 1,382,442 pieces of unlabelled cigarettes (without tax stamps);
- 4,000 kg of cut tobacco;
- 2 packaging lines;
- 1 fully operational production line to manufacture cigarettes;
- 1 unassembled machine to produce cigarettes;
- other accessories necessary for cigarette production.

The total amount of taxes evaded sum up to 26 million Czech crowns or 1,009,584 euro.

The offenders produced counterfeit "Marlboro" cigarettes and planned an extensive and long-term illegal production of cigarettes; this is evidenced by the dimensions and capacities of the illegal production facilities. Among other things, the criminals carried out the illegal production of other cigarette brands such as "JIN LING", "GLOBE" and "MARS".

## **UK**

HM Revenue and Customs officers, conducting Operation "Nerys", discovered an illegal tobacco factory near Ormskirk/United Kingdom and seized a large number of hand-rolling tobacco pouches and over 3.2 tons of raw tobacco along with counterfeit packaging, weighing scales, tobacco cutting and packing machinery.

The processed tobacco would have been worth £500,000 in evaded UK duty and VAT. Initial indications are that this factory had links to Hungarian nationals and that the pouches were not a known legitimate brand in the UK.

## **Internet sales**

The resale of tobacco products on the Internet is being actively developed. A large number of forums and blogs now contain advertising and promotional material intended to direct an increasing proportion of consumers towards online sales sites. These sites market themselves as "tobacconists", and openly seek to compete with the licit national distribution network. In reality these sites are a source of much disappointment and many scams affecting online buyers lured by very low prices. With the entry into force of the Protocol to Eliminate Illicit Trade in Tobacco Products, the retail sales of tobacco products through Internet, telecommunication or other evolving technologies, will be banned.

The following cases illustrate the risks of illicitly trafficking tobacco products via the Internet:

## **Italy**

The Italian Guardia di Finanza dismantled a major tobacco trafficking scheme that had eluded the traceability system of the State Monopoly Administration and the collection of excise taxes.

An offender, the owner of a website selling tobacco products online bypassing the State Monopoly Administration in the sale of tobacco, has been arrested.

Another individual placed under house arrest is his supplier, the manager of a company trading in the tobacco sector.

A search of his warehouse, executed in October 2012, resulted in the detection and seizure of 387 tons of tobacco; some of it was already shredded (3.5 tons) or in leaves, ready to be cut. The production facility was seized. In addition, the website offering tobacco products was blocked by order of the Judicial Authority.

In Italy, a licence from the State Monopoly Administration is required to





produce, process and sell tobacco products. The offenders had developed an illegal trafficking scheme for the processing of tobacco (produced in Italy) to the detriment of the State Monopoly Administration.

Besides the revenue losses caused, the case also generated unfair competition for the licit tobacco trade. With this scheme, the offenders managed, within a few months, using their e-commerce offers, to extend their sales concept to the entire Italian market. This is evidenced by intercepted conversations, monitored shipments and by payments made through anonymous e-system cards.

Guardia di Finanza estimates that the offenders marketed at least 1.5 tons of tobacco at a price approximately 65% lower than the price imposed by the State Monopoly Administration; one kilogram of shredded tobacco was sold at around 60-70 euro while the regular price was 180 euro per kilogram.

This case reillustrates the enormous profits criminals can generate from excise duty evasion on highly taxed tobacco products.

#### *France*

In 2012, French Customs initiated the first actions for the deletion of the “.fr” domain names of online trading sites selling tobacco products illegally.

These actions were based on a close cooperation with the “Association Française pour le Nommage Internet en Coopération



*Detection of illegal tobacco intended for sale on the internet*

*Photos courtesy of the Italian Guardia di Finanza.*

(AFNIC)”, which is France’s domain name registry. The successful completion of these initiatives marks an important step in the proactive fight against the illegal sale of tobacco products via the Internet.

#### **“Cheap whites”**

Over recent years, seizures of illicit/smuggled cigarettes bearing brand names that had been more or less unknown, increased significantly. The most common name for these cigarettes is “Cheap Whites” (or “Illicit Whites”). What is common to most of these



Seizure of "Jin Ling" cheap whites

Photo courtesy of Finnish Customs.

"Cheap Whites" is their legal production in the source country and the usually legal sale to the first purchaser. Nevertheless, the overall cigarette consumption at national level does not correspond to the volume of production. Subsequent purchasers of these cigarettes then smuggle the products into the country of destination, often using elaborate routings, to disguise the true source and country of departure of the shipment. A large number of "Cheap Whites" cigarettes are not legally available in the destination countries and generally do not comply with regulatory standards (they could be dangerous for the health as they contain high levels of tar, nicotine and carbon monoxide).

It must be noted that information concerning the location of production sites of many brands is somewhat obscure; the production sites are not necessarily in the same location as the business location of the registered manufacturer or there are several production sites in different countries.

The most common brand of "Cheap Whites" is "Jin Ling": It is produced in Russia (Baltic Tobacco Factory, Kaliningrad) and in Ukraine and Moldova. Other popular cheap whites brands are "Gold Classic", "Palace" (which seems to be produced in various countries) and "Raquel", (whose manufacturer is based in Cyprus, while there seem

to be additional production sites in several other countries).

A particular sub-category of "Cheap Whites" are product doubles that feature graphics and colours that are very similar to well-known brands. Examples of such product doubles are "Dunston" (an imitation of "Winston") and "Monte Ceneri" (an imitation of "Monte Carlo"). The price of these product doubles is on average 50% lower than the original products.

Due to the fact that "Cheap Whites" are usually produced in legal production sites, wherever they might be located, some consumers of illicit cigarettes prefer them to the well-known and established "old" brand names, as a lot of the cigarettes on the illicit market with the "old" brand names are counterfeit. However, even popular "Cheap Whites" tend to get counterfeited after a while. Investigations revealed that counterfeit "Jin Ling", "Raquel" and other "Cheap Whites" brands have been produced.

## Notable seizures

### U.S.

In May 2012, U.S. authorities seized a shipment of 38,304,000 pieces



*Seizure of cigarettes concealed inside corrugated sheets*

*Photo courtesy of Finnish Customs.*

of counterfeit cigarettes arriving from Germany in the seaport of Newark. The cigarettes bore the trademark "Dunhill".

### **Spain**

In the framework of operation "AGUIJÓN", over 35 tons of illegal tobacco with an estimated value of more than 4.2 million euro was seized. This amount of tobacco, the largest seizure by Spanish Customs in recent years, could have been used to manufacture between 1.8 and 2.5 million packs of cigarettes. The tobacco arrived in Valencia/Spain in seven containers, from Shenzhen/China during the months of May and June 2012.

According to the investigations, this large amount of tobacco was meant to be smuggled into Spain for distribution to other countries in Europe, where it could have been used as rolling or pipe tobacco, or as a raw material for the production of cigarettes. As a modus operandi, the traffickers shipped the tobacco in containers with a cover-load of multiple items which are usually sold in bazaars; among these items were marble tile pallets in which the tobacco was concealed.

### **Irlande**

Irish Customs officers seized 38 million cigarettes at Dublin Port. The cigarettes were detected in four forty-foot maritime containers which

were selected for X-ray scanning based on risk profiling. The container originated in Vietnam and arrived into Dublin Port via Rotterdam. The contents of the containers were listed on the ship manifests as "wood briquettes" and were consigned to an Irish-based company. The smuggled cigarette brand is "Golden Eagies".

The cigarettes have a retail value of 14.7 million euro with a potential loss of duties of 13.1 million euro.

### **Greece**

In the seaport of Kissamos, Greek authorities seized a shipment of smuggled cigarettes. The vessel, coming from Bar (Montenegro) and passing from Tobruk (Libya), contained 53,760,000 cigarettes branded "Cleopatra".

In another occasion, 23,200,000 cigarettes were seized at Thessaloniki Port. The smuggled cigarettes were transported from the port of Damietta in Egypt in a cover-load of glass vases. They bore the "Cheap Whites" brand names "Raquel" and "Raquel Slim".





Seizure of tobacco concealed in pallets of marble tiles

Photo courtesy of Spanish Customs.



Seizure of cigarettes

Photo courtesy of Ugandan Customs.

## Trends and patterns

### 1. General remarks

This section is intended to highlight current and expected trends related to the illicit trade of tobacco products in order to support future-orientated risk analysis and thus to assist in the anti-smuggling efforts of Customs administrations worldwide.

Figures are based on the data available on the WCO Customs Enforcement Network (CEN) database on seizures carried out over the last two years, which is the main source for this analysis.

As the CEN database is constantly being updated, the figures shown in this section may therefore be different from those taken into account in previous reports, and are subject to checking and constant review.

The submission of information to the WCO CEN database is not mandatory: most WCO Members, assisted by the competent RILOs or by the WCO Secretariat, enthusiastically share non-nominal information on Customs seizures and offences with a view to combating illicit trafficking more effectively.

The production of any analytical report depends on the quality and quantity of the data made available. The information provided to the CEN database does not permit the production of in-depth threat assessments at a global level.

Nonetheless the material continues to be sufficient to identify trends and highlight particular issues, providing support for policy and decision makers, and for field officers. To avoid marked differences in the quality and quantity of data made available by the individual Members in the last two years, data provided by members for the first time in 2012 were excluded. Seizures containing the indication "Unknown" were submitted by Members in a generic way without further details.

In the CEN database, the "country of departure" indication does not necessarily coincide with the real origin of the illicit consignment. It is, however, possible to identify a trend based on the declared country of departure.

To complete the picture, the Secretariat added short "country spotlights" on the situation concerning illicit trade in tobacco products in several countries.

### The illicit trade of counterfeit cigarettes

The phenomenon of illicit trade of counterfeit cigarettes remained stable with a modest decrease (14%) of the quantity seized.

Number of seizures		Quantity (pieces)	
2011	2012	2011	2012
131	128	157,171,587	134,912,387

The numbers of seizures made in different geographical areas shows a general increase of the number of seized pieces (exception: Western Europe).

	Number of seizures	
	2011	2012
Eastern and Central Europe	1	6
Middle East 1	1	
North America	88	99
Western Europe	41	22

	Quantity seized	
	2011	2012
Eastern and Central Europe	70	14,731,380
Middle East	1,770,000	8,940,000
North America	307,677	40,423,739
Western Europe	155,023,910	70,817,268

Concerning the location of seizures, an increase of the seizures made at airports and a decrease of inland seizures is to be noted.

Seizures by location type	2011	2012
Airport	5	15
Inland	21	9
Land boundary	1	8
Mail centre	77	72
Seaport	21	21
Unknown	6	3



Counterfeit cigarettes

Photo courtesy of Czech Customs.



Cigarettes concealed within the side walls of a lorry

Photo courtesy of Spanish Customs.

As “country of departure”, the data for the year 2012 reconfirms the significance of shipments from China in this segment of illicit trade. However, a modest decrease of Chinese consignments is noted. Compared to the 2011 figures of eight “countries of departure” (including five jurisdictions in the Asia Pacific region), the reports for 2012 show that the “countries of departure” become more and more diversified; for the year 2012, a total of 19 jurisdictions (again five countries in the Asia Pacific region) were signalled by WCO Members as departure countries.

Departure countries	2011	2012
Canada	0	2
Belgium	1	0
Cambodia	0	2
China	93	73
Germany	0	3
France	0	3
Greece	0	1
United Kingdom	2	0
Haiti	0	1
Hong Kong China	1	0
Mexico	0	1
Morocco	0	1
Panama	0	2
Poland	0	1
Jamaica	0	1
South Korea	1	4
Russian Federation	0	2
Sweden	1	0
Slovakia	0	1
Singapore	1	1
Taiwan (China)	1	0
Unknown	30	14
U.S.	0	11
U.S. Virgin islands	0	2
Vietnam	0	2

“Marlboro” continues to be the most counterfeited brand. However, in 2012 the CEN database contains huge seizures of the brands “Dunhill”, “Brooks”, “Dunston” and “Regal” (the latter two are both “Cheap Whites”).

Counterfeited brands	2011	2012
Austin	105	0
Benson & Hedges	14,505,200	0
Brooks	0	10,551,000
Camel	0	2,449,700
Cartel	70	0
Classic	0	19,78
Craven A	70	0
Dunhill	1,225	38,309,600
Dunston	0	4,160,000
Fortuna	3,000,000	0
Gold	0	288
Gold Classic Elite	15	0
Kingdom	0	4,000,000
L & B	2,570,000	5,68
LM	23,859,200	346,984
Lucky Strike	0	1,500,000
Marlboro Gold	1,680,000	0
Mark 1	50	0
Marlboro	69,373,452	62,964,964
Marlboro light	5,409,000	0
Newport	89,8	43,5
Palace	3,920,000	0
Pall Mall	13,8	0
Philip Morris	7,000,000	112
Prince	50	0
Raquel	6,000,000	0
Regal	10,682,000	7,249,940
Rothmans	0	1,600,000
Superkings	1,813,200	0
Unknown	5,884,640	982,439
Vantage	120	0
Winston	0	314,8
X-treme	70	0
Zhongnanhai (“Eight”)	0	14





Cigarettes shipped by river

Photo courtesy of Hungarian Customs.

**“Cheap whites”**

The seizure figures for “Cheap Whites” cigarettes show a clear increase between the years 2011 and 2012: the number of seizures rose significantly (52%), the increase of the quantities seized (17%) is also remarkable.

Number of seizures		Quantity (pieces)	
2011	2012	2011	2012
530	808	436,796,264	510,966,288

The outreach of these “Cheap Whites” is also noteworthy: while seizures in the “traditional” markets of these products (Eastern and Central Europe, CIS and Western Europe) continue to grow at a significant rate, the markets in the Eastern and Southern African region and – to a smaller extent – Western African region became affected by “Cheap Whites” (both concerning the number of seizures and the amounts seized). This indicates an increasing level of consumption of “Cheap Whites” in African countries.

	Number of seizures	
	2011	2012
CIS	33	57
Eastern and Central Europe	386	455
Eastern and Southern Africa	2	15
South America	3	2
West Africa	1	5
Western Europe	105	274

	Quantity seized	
	2011	2012
CIS	33,398,241	32,103,651
Eastern and Central Europe	268,836,780	170,068,867
Eastern and Southern Africa	1,050,000	5,500,200
South America	2,162,025	1,120,000
West Africa	78,6	167,200
Western Europe	131,270,618	302,006,370

Both in 2011 and 2012, seizures of “Cheap Whites” were predominantly made inland. However, CEN figures show an increase of seizures made in seaports.

Seizures by location type	2011	2012
Airport	1	8
Border of free-trade zone	1	3
Inland	344	474
Land boundary	126	170
Mail centre	0	4
Rail	15	23
River	3	4
Seaport	29	61
Unknown	11	61

Concerning the “countries of departure”, the top six departure countries of the year 2012 are shown in the table below.

The additional table displays the six countries that reported major differences in the number of seizures between 2011 and 2012.

Both overviews confirm the central role of Ukraine in this area.

Other countries, such as Spain (not listed as a top departure country) and Greece also show a significant increase of seizures of “Cheap Whites” cigarettes.

Top departure countries	2011	2012
Ukraine	78	118
Belarus	41	45
Russian Federation	46	41
Greece	21	37
Lithuania	10	27
Poland	42	26

Difference in seizures	2011	2012	Difference
Ukraine	78	118	40
Lithuania	10	27	17
Greece	21	37	16
Poland	42	26	-16
Slovakia	21	5	-16
Spain	2	16	14

### Trafficking in regular brand cigarettes

This part refers to the smuggling of regular brands of cigarettes (other than “Cheap Whites” and counterfeit cigarettes). The seizures registered in the CEN system as “unknown” brands were included in this section.

The figures show a slight increase of the number of seizures between 2011 and 2012 and a decrease in the amount of contraband seized in this period.

Number of seizures		Quantity (pieces)	
2011	2012	2011	2012
2,053	2,345	1,578,450,719	1,415,182,330

The graphs show, by region, the number of cases reported and the corresponding quantities.

Region	Number of seizures	
	2011	2012
Asia/Pacific	66	6
CIS	425	159
Eastern and Central Europe	725	772
Eastern and Southern Africa	50	8
Middle East	74	57
North Africa	12	6
South America	105	54
West Africa	54	0
North America	49	30
Western Europe	493	1,253

Region	Quantity seized	
	2011	2012
Asia/Pacific	207,800,681	27,040,380
CIS	3,971,832	15,207,956
Eastern and Central Europe	643,395,256	525,853,767
Eastern and Southern Africa	10,300,160	6,619,400
Middle East	6,541,386	9,327,501
North Africa	63,96	356,02
South America	41,706,244	8,577,735
West Africa	8,871,400	0
North America	1,941,701	882,439
Western Europe	653,858,099	821,317,132

WCO Members in the Western European region reported a massive increase in the number of seizures (+154%) and a medium increase in seized pieces (+25%).

With reference to the locations, the total number of seizures has not changed over the past two years; most of the seizures were made at inland locations. The number of seizures detected in airports and seaports increased significantly, while the figures for seizures at land borders dropped notably.

Seizures by location type	2011	2012
Airport	187	274
Border of free-trade zone	7	7
High seas	0	2
Inland	812	873
Land boundary	670	480
Mail centre	38	20
Rail	55	34
River	11	3
Seaport	197	492
Unknown	76	160

Tunisia, the Russian Federation and Moldova are reported to be the top three “countries of departure” in terms of contraband for 2012.

Considering the annual differences in the number of seizures, two other countries should be added to the list of top “countries of departure”, namely Albania and Egypt.

Top departure countries	2011	2012
Tunisia	5	183
Russian Federation	200	182
Republic of Moldova	72	116
Greece	37	71
Albania	5	58
China	65	59

Difference in seizures	2011	2012	Différence
Tunisia	5	183	178
Ukraine	187	57	-130
Albania	5	58	53
Egypt	5	54	49
Republic of Moldova	72	116	44
Spain	16	54	38



*Seizure of cigarettes*

*Photo courtesy of Uruguayan Customs.*



*Seizure of cigar and tobacco bands and labels*

*photos courtesy of Cuban Customs.*



*Cigarettes concealed within the body of a bus*

*Photo courtesy of Croatian Customs.*



*Cigarettes concealed within the body of a bus*

*Photo courtesy of Estonian Customs.*

### **Other tobacco products**

Focusing on other tobacco products (non-cigarettes), the commodity that shows the highest amount of seizures in 2011 and 2012 in the CEN database is smoking tobacco. Comparing the numbers of seizures between 2011 and 2012, both smoking tobacco and chewing tobacco are on the rise whilst the number of seizures of raw tobacco have decreased significantly.

	2011	2012
Chewing Tobacco	149	314
Cut filler	3	2
Cigars	8	22
Hand Rolling and Pipe Tobacco	6	5
Raw Tobacco	158	30
Smoking tobacco	1,274	1,594
Unknown	37	11
Water-pipe tobacco	60	42

From a regional perspective, Eastern and Central Europe area showed the strongest increase in the number of seizures of smoking tobacco in 2012. As in 2011, most of these seizures were made in mail centres.





Seizure of cigarettes

Photo courtesy of Mauritian Customs.

## Country “spotlights”

### Canada

The illicit cigarette market in Canada has changed since the 1990s when the majority of the contraband market consisted of duty-free and exported Canadian cigarettes. Higher prices and tax changes have eliminated this kind of illicit trade.

Currently, Canada’s illicit tobacco market relies fully on imports of tobacco or ready-made cigarettes. Manufactured tobacco is smuggled into Canada via the land border (concealed in commercial shipments) and used for the production of native brand cigarettes in illegal factories. Chinese and other internationally branded cigarettes, as well as other tobacco products such as chewing tobacco, enter into Canada in courier or postal shipments and in air and sea cargo shipments.

Maritime container shipments continue to be the largest threat for Canadian authorities as large quantities of counterfeit Canadian and American brand cigarettes, and genuine Chinese-brand cigarettes, enter the national illicit market via this channel.

### South Africa

The geographic location of South Africa, its transport infrastructure and its international trade links make this country an attractive geographical hub for the trans-shipment of illicit tobacco products and a lucrative consumer market for these illicit goods.

Zimbabwe, a neighbouring country of South Africa, is one of the major leaf tobacco producers and cigarette manufacturers. There is large-scale cigarette smuggling from Zimbabwe into South Africa across the common border-line, concealed in compartments of vehicles or, in some cases, physically carried across the border by smugglers.

### Paraguay

RILO South America reported that tobacco production in South America is a significant economic factor. Brazil is among the three largest producers of tobacco worldwide with a production exceeding 595,000 tons per year.

However, there is also a clear threat that cigarettes are counterfeited or that legally produced cigarettes are diverted into illicit trade structures. For example, the production of 50 cigarette factories in Paraguay (production in 2006: 68 billion cigarettes) represents twenty times the consumption capacities of the domestic market in



*Seizure of cigarettes*

*Photo courtesy of Brazilian Customs.*

this country; more than 2,600 different brands of cigarettes are registered with the Ministry of Industry and Trade.

A substantial amount of this product ends up on the black market in countries like Brazil and Argentina, which have high taxes for tobacco. Furthermore, the border triangle that exists between Brazil, Argentina and Paraguay is a major geographical region for smuggling in general, and for the illicit trade in cigarettes in particular.

Another worrying fact has been the discovery, of "mobile" cigarette factories in Paraguay which operate in specially conditioned trucks, making them very difficult to trace.

A modus operandi identified to smuggle cigarettes from Paraguay is the export of cigarettes to free zones in the Caribbean. From these transit stops, the cigarettes are distributed to other parts of the world, often with forged cargo documents and/or hidden in other goods, behind cover-loads etc.



*Seizure of cigarettes*

*Photo courtesy of Argentine Customs.*

# ILLICIT TRADE IN ALCOHOL PRODUCTS



Alcohol and alcohol products in most countries are subject to Customs duties and/or excise duties. In some jurisdictions, alcohol and alcohol products are generally banned from importation due to national prohibitions and restrictions.

Excise duties on such products also vary from country to country and product to product; depending on the product (beer, wine, spirit etc.) and the percentage of alcohol contained therein.

The illicit trade in alcohol products is also conducted in various ways, ranging from “classic” methods such as false Customs declarations and accompanying documents or concealments in vehicles and containers to the misuse of excise suspension regimes in the single market of the European Union. While the smuggling of relatively small quantities in vehicles or vans for onward sale through informal structures continues, organised crime groups exploit weaknesses in such regional excise regimes. Significant seizures of “undenatured ethyl alcohol with an alcoholic strength by volume of 80% vol. or higher” (HS code 22.07) at the Eastern European border indicate linkage with organised crime structures in this type of fraud.

Illicit trade in alcohol in the United Kingdom for instance predominantly involves abuse of the excise holding and movement system which allows payment of duty on goods to be ‘suspended’ while they circulate between registered warehouses in the EU, until released for consumption.

Organised criminals use this system to position large commercial



*8,016 litres of “Chivas Regal” whisky behind a cover load of paper rolls, detected by an X-ray control*

*Photos courtesy of Saudi Arabian Customs.*

consignments of popular UK beers, wines and spirits on the near continent in ‘duty suspense’. These goods are subsequently diverted back into the UK under the cover of false documentation, taxes are not declared, and the illicit consignments are then sold onto whole-





2,188 litres of "King Robert" whisky concealed in a pick-up truck, seized at a land border

Photo courtesy of UAE Customs.

salers, cash-and-carries, small retailers and the leisure sector, thus undercutting legitimate suppliers.

The CEN database contains approximately 700 seizures of beverages (beer, wine, alcoholic products); whiskey products dominate the

number of seizures and hold second position in the seized quantities (approximately 230,000 litres). However, the quantity of more than 1.3 million litres of pure alcohol (80% vol. or higher) prevails and illustrates the attractiveness and economic potential for criminals in this illicit trade.

Beverages	Number of cases
Beer made from malt (22 03)	139
Gin and Geneva (22 08 50)	2
Liqueur (22 08 70)	9
Other (Specify)	18
Rum and tafia (22 08 40)	6
Spirits obtained by distilling grape wine e.g. Cognac, Grappa, brandy etc. (22 08 20)	14
Undenatured ethyl alcohol of an alc. strength by vol. of 80% vol. or higher (22 07)	35
Undenatured ethyl alcohol of an alc. strength by vol. of less than 80% vol. (22 07)	2
Vermouth and other wine from fresh grapes flavoured with plants or aromatic substances (22 05)	8
Vodka (22 08 60)	59
Whiskey (22 08 30)	429
Wine from fresh grapes including fortified wines (22 04)	24

Beverages	Quantity in litres
Beer made from malt (22 03)	16,339
Gin and Geneva (22 08 50)	8
Liqueur (22 08 70)	21,8
Other (Specify)	5,04
Rum and tafia (22 08 40)	17,761
Spirits obtained by distilling grape wine e.g. Cognac, Grappa, brandy etc. (22 08 20)	3,69
Undenatured ethyl alcohol of an alc. strength by vol. of 80% vol. or higher (22 07)	1,330,579
Undenatured ethyl alcohol of an alc. strength by vol. of less than 80% vol. (22 07)	4,332
Vermouth and other wine from fresh grapes flavoured with plants or aromatic substances (22 05)	179
Vodka (22 08 60)	26,201
Whiskey (22 08 30)	229,198
Wine from fresh grapes including fortified wines (22 04)	4,448

# KIMBERLEY PROCESS



The trade in rough diamonds has fuelled decades of devastating conflicts in countries such as Angola, Côte d'Ivoire, the Democratic Republic of the Congo, Liberia and Sierra Leone.

In December 2000, the United Nations General Assembly adopted a landmark resolution supporting the creation of an international certification scheme for rough diamonds. By November 2002, negotiations between governments, the international diamond industry and civil society organisations resulted in the creation of the Kimberley Process Certification Scheme (KPCS).

The KPCS entered into force in 2003, when participating countries started to implement following requirements:

- Rough diamond shipments can only be shipped between participants;
- Rough diamond shipments must be accompanied by a valid and validated tamper-resistant KP certificate;
- Shipments of rough diamonds must be shipped in sealed tamper-resistant containers;
- Imports of rough diamond shipments must be confirmed to the exporting participant;
- Participants must provide detailed statistical information on a regular basis on the production and trade of rough diamonds.

## WCO and the Kimberley Process

During the negotiation phase of the Kimberley Process, observers

of the World Customs Organization were invited to, and participated in, discussions at some plenary negotiation sessions.

Later, during the May 2004, 33rd Meeting of the Committee of the HS, the Kimberley Process Certification Scheme obtained observer-status and supported changes to the Explanatory Notes on diamond-related HS-codes.

More recently, it was agreed to explore ways to enhance cooperation between the WCO and the Kimberley Process in the fight against the illegal international trade in diamonds.

Proposed actions for the WCO and its Members should include, inter alia, the application of appropriate risk assessment measures to target imports and exports of high-value goods, in particular diamonds, in order to identify potential Trade-based Money Laundering activities by means of over-/under-invoiced shipments and to implement appropriate measures at a national level in line with the provisions of the Kimberley Process Certification Scheme.

To strengthen enforcement activities in the context of the Kimberley Process, it is envisaged to conduct an international joint operation on illicit cross-border transportation of "conflict" diamonds in 2013 which seeks to improve cooperation and information exchange among the competent agencies at national and international levels. This planned operational activity will be supported by the previous and the current Chair of the Kimberley Process.

# TRAFFICKING OF CULTURAL GOODS

The plundering of cultural property is one of the oldest forms of organized-cross border crime and has become a world-wide phenomenon that transcends frontiers.

Every year, thousands of artefacts disappear from museums, churches, private collections or public institutions. Ranging from antique weapons to paintings, from coins to watches, from religious objects to archaeological finds, tens of thousands of specimens belonging to the world's archaeological and cultural heritage are stolen.

As widely recognized, the border still offers the best opportunity to intercept stolen cultural artifacts, and to that end Customs plays a fundamental role in the fight against the unauthorized export of cultural property.

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 in 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.

The illicit trade in cultural goods has a particular impact not only in countries such as Italy, Greece, France 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 Syria and Mali.

With a view to protecting cultural heritage, the WCO encourages effective co-operation and partnership with other international organization and law enforcement agencies such as the International Council of Museums (ICOM), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and INTERPOL, aimed at exchanging information and stemming this illegal activity.

## 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 UNESCO, ICOM, INTERPOL and the WCO. Tools include databases of stolen goods (INTERPOL) and databases covering national legislation (UNESCO, the HEREIN database, Council of Europe). For the purposes of information and awareness-raising on the risks of illegal trafficking, ICOM has drawn up red lists representing the categories or types of objects protected by law. These lists alert institutions and the market about the categories of object 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, the 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.



17<sup>th</sup> Century book about hunting in Czarist Russia

Photo courtesy of Ukrainian Customs.

## ARCHEO

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

ARCHEO is a "real-time communication tool" for the exchange of information and cooperation in the protection of the 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 CENcomm (Customs Enforcement Network Communication) 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 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 any 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.

The WCO will continue working closely with its Members, Regional Liaison Intelligence Offices (RILOs) and other relevant partners in order to increase collaborative efforts aimed at implementing effective enforcement actions to combat trafficking in cultural goods".



# MONEY LAUNDERING

The United Nations Convention against Transnational Organised Crime (2000), also known as the “Palermo Convention”, describes the nature of money laundering, as follows:

“The conversion or transfer of property, knowing that such property is the proceeds of crime, for the purpose of concealing or disguising the illicit origin of the property or of helping any person who is involved in the commission of the predicate offence to evade the legal consequences of his or her action.”

These proceeds of crime can stem from a large variety of predicate offences, such as illicit trafficking in narcotic drugs and psychotropic substances, fraud (including tax/customs fraud), counterfeiting and piracy of products etc<sup>2</sup>.

FATF’s Recommendation 32 (February 2012) states:

“Countries should have measures in place to detect the physical cross-border transportation of currency and bearer-negotiable instruments, including through a declaration system and/or disclosure system.”

The term “physical cross-border transportation” refers to any in-bound or out-bound physical transportation of currency or bearer-negotiable instruments from one country to another country. The term includes the following modes of transportation:

- Physical transportation by a natural person, or in that person’s accompanying luggage or vehicle;
- Shipment of currency through containerised cargo or the mailing of currency or bearer-negotiable instruments by a natural or legal person.

Declaration and/or disclosure requirements may also cover precious metals, gems and articles thereof (raw and semi-processed).

A “Declaration/reporting system” requests that all persons making a physical cross-border transportation of currency or bearer-negotiable instruments, which are of a value exceeding a pre-set, maximum threshold (often around EUR/USD 15,000) to submit a truthful declaration to the designated competent authorities (in the vast majority of cases to the Customs administration).

A “Disclosure system” requires all persons making a physical cross-border transportation of currency or bearer-negotiable instruments of any amount to make a truthful disclosure to the designated competent authorities upon request. Countries that implement a disclosure system should ensure that the designated competent authorities can make their inquiries on a targeted basis, based on intelligence or suspicion, or on a random basis.

Upon the discovery of a false declaration/disclosure of currency or bearer-negotiable instruments or a failure to declare/disclose them, designated competent authorities (i.e. Customs) should have the authority to request and obtain further information from the carrier with regard to the origin of the currency or other monetary instruments and their intended use.

FATF Recommendation 32 requires that: “countries should ensure

that their competent authorities have the legal authority to stop or restrain currency or bearer-negotiable instruments that are suspected to be related to terrorist financing or money laundering or predicate offences, or that are falsely declared or disclosed.” Countries should also ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declaration(s) or disclosure(s). In cases where the currency or bearer-negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including the confiscation of such currency or instruments. Importantly, the provision of incorrect or incomplete information on carrying cash should be regarded such that the declaration or disclosure obligation has not been fulfilled.

In summary, FATF Recommendation 32 allocates an important role in the fight against Money Laundering and Terrorist Financing to Customs administrations. It should, however, be pointed out that a non-declaration/non-disclosure of cross-border currency transports is not to be automatically regarded as an act of Money Laundering. To establish a suspicion of Money Laundering, it requires close cooperation with other competent authorities at national (other law enforcement services, Financial Intelligence Unit) and international levels. For the year 2012, the Customs Enforcement Network (CEN) database contains more than 4,600 cases of non-declarations/non-disclosures.

Pictures of some typical cash detections are shown to the next page.

## Trade-based Money Laundering

Although there has been a global downward trend in Customs duty rates within the framework of the GATT/WTO trade negotiations, the duty rates in a number of countries for a variety of commodities remain high, and these commodities are being targeted for commercial fraud, having huge economic and revenue implications for both public and private sectors. Modi operandi vary; however, it has become clear that over- and under-invoicing are most frequently exploited by criminals.

Implications of commercial fraud are not only limited to revenue and fiscal loss but also to suspected links to transnational organised crime, such as drug and arms smuggling, and to other types of offences such as money laundering and the financing of terrorism. Criminal groups are exploring the use of the international trade system in order to transfer illegal proceeds abroad.

“Trade-based money laundering” is the process of legitimising the proceeds of crime by disguising them in the form of a payment for an international trade transaction.

Trade-based money laundering is an important channel of criminal activity and, given the growth in world trade, it represents an important money laundering and terrorist financing vulnerability.

Trade-based money-laundering practices vary in complexity. The most basic schemes are fraudulent trade practices (e.g. under- or

<sup>2</sup> A comprehensive list of predicate offences is displayed in the Glossary to the FATF 40 Recommendations “Designated categories of offences” (February 2012).



20,000 Canadian Dollars concealed in suitcase wheels

Photo courtesy of Cuban Customs.



187,000 Brazilian Real (equivalent to approximately USD 94,000) concealed in the airbag compartment of a car

Photo courtesy of Argentine Customs.

over-invoicing of receipts). However, more complicated schemes integrate these fraudulent practices into a web of complex transactions, which also involve the movement of value through the financial system (e.g. cheques or wire transfers) and/or the physical movement of bank notes (e.g. cash couriers). The use of these complex transactions further obscures the money trail and complicates detection.

Comparison of specific trade data, especially those related to values declared to Customs for import and/or export, with the previously submitted data on a similar commodity from/to the same country could highlight anomalies, which could lead to identifying trade-based money laundering. For example, an extreme difference in value indicates possible duty/tax evasion as well as trade-based money laundering by means of transferring value in the form of commodities. Unit price analysis is a technique for scrutinising the average unit price for a particular commodity using domestic import and export data. Trade data comparison also enables Customs to define sensitive sectors which can be used for money laundering and terrorist financing.

The sharing of trade data can be accomplished between cooperating Customs authorities through Customs mutual assistance agreements. The success of such arrangements underscores the importance of cooperating nations working together to establish bilateral mechanisms to detect trade anomalies, which may be associated with money laundering, terrorist financing or other financial crimes.

*An example: U.S. Trade Transparency Unit*

U.S. Immigration and Customs Enforcement (ICE) has created the Trade Transparency Unit (TTU) which employs sophisticated computer systems to analyse trade data and financial information to detect anomalies in international commerce that may be indicative of money-laundering cases. ICE has developed and employed the Data Analysis and Research for Trade Transparency System (DARTTS) that is utilised by the TTUs. DARTTS allows users to identify anomalies in trade patterns, analyse financial transaction data and analyse data on the movement of people and cargo.

Another **example of Trade-based Money Laundering** was reported from a WCO Member as follows:

*On the basis of intelligence inputs, Customs in Country A intercepted 15 consignments of rough diamonds imported from Country B by certain importers. The consignments were grossly over-invoiced by up to 800%, amounting to 15 million USD. As far as the imported goods are of zero-duty, fraudsters do not need to worry about the duty payment. A series of investigations revealed that the importers were working in conjunction with a criminal syndicate based in Country B for the transfer of foreign exchange abroad. The rough diamonds are again re-exported to the consignor and the prices were under-invoiced so that only a small amount of money was sent back to Country A. Later, the rough diamonds were imported into Country A once again and a larger amount of money was transferred in return. Not only was a large sum of foreign exchange siphoned off from Country A in violation of the foreign exchange control regulation, but it was used for the purpose of money laundering at the receiver's end in Country B.*

The WCO Secretariat and/or WCO Member administrations actively contributed to a number of important typology/guidance documents for the FATF or FATF-style regional bodies, such as "Money Laundering vulnerabilities of Free Trade Zones" (FATF, 2010), FATF Guidance "Illicit Tobacco Trade" (FATF, 2012) and "Typologies report into Trade-Based Money Laundering" (APG, 2012).

# CUSTOMS OPERATIONAL PRACTICES FOR ENFORCEMENT AND SEIZURES (COPES)

The way Customs uses its prerogative in matters relating to the fight against fraud (seizures, penalties, detentions, etc.) remains at the forefront of discussions between WCO Member administrations. To explore this subject further and to enhance knowledge sharing, several Customs administrations developed a "Compendium of Customs Operational Practices for Enforcement and Seizures (COPES)" with the support of the WCO Secretariat.

The Compendium has been designed to highlight practical examples of working practices as well as to identify stumbling blocks to effective enforcement, in particular procedures related to enforcement and seizures given their important role as tools for Customs administrations as governments strive to ensure the safety and security of their citizens, as well as to preserve the legitimate global trading system.

The unique methods and mechanisms of individual Customs administrations are shared in an effort to contribute to global harmonisation efforts within the World Customs Organization. In this way, to the extent feasible, it is therefore possible that WCO Members can enhance the consistency and predictability that benefits Customs and all stakeholders in the global trading system, even when the necessary government enforcement actions are taken.

To effectively carry out these responsibilities, Customs should have the clear and substantive authority to work with other cross-border governmental agencies to remove and/or remedy dangerous, unlawful and/or otherwise unfit merchandise from the trading system. A major tool for Customs to address this challenge is the ability to carry out enforcement actions and seizure proceedings. This authority under law to interdict shipments, along with the procedures used in exercising this authority, can have a dramatic effect on improving the situation for Customs and the global movement of trade in the 21st century.

The practices outlined in this Compendium are meant to encourage Customs administrations to deeply examine their own methods and possibly take steps towards making improvements to their current systems, notably the enhancement of their legal foundation (enabling powers) and the operational options on which their procedures and practices are based.

The Compendium, access to which is restricted to WCO Members only due to the sensitive nature of the content, is available in English, French, Spanish, Serbian and Arabic on the WCO website.

# ELECTRONIC CRIME



*HK Customs Electronic Crime Investigation Centre*

*Photo courtesy of Hong Kong, China Customs.*

Founded in 2001 and supported by the Council in 2002, the WCO Electronic Crime Experts Group (ECEG) is a Working Group dealing exclusively with the application of information technology in Customs operations. The ECEG develops and/or updates its guidance material on technological developments of relevance for modern Customs administrations. Their meetings also seek to combine practical operational aspects with the production of theoretical material, offering alerts and guidance on contemporary risks and a strategic 'over the horizon' or an 'early warning' facility to enable Customs administrations to both prepare for new electronic developments and challenges and to implement effective risk-management strategies. Members of the ECEG come from diverse backgrounds, with experience in computer forensics, cybercrime, data mining and other related competencies. The ECEG reports regularly to the Enforcement Committee; its documents are available on the WCO Members website.

During the meeting of the Enforcement Committee in March 2012, a representative of the ECEG gave a presentation on how to use data-mining techniques to identify and investigate Commercial Fraud. In December 2012, a special session of the meeting of the Working Group on Commercial Fraud covered the possibilities of "open-source intelligence", "data mining" (to identify discrepancies in Customs valuation) and "data visualisation".

In an environment of constant increase of Internet-based trade, going along with steady increases of courier and mail shipments, a number of Customs administrations have installed special Internet-Crime/Cybercrime/Computer forensics units to develop intelligence and to support investigations; these specialists are invited to join the ECEG and their expertise with other specialists and to provide guidance on these specific topics to the WCO Member community.



# POST-CLEARANCE AUDITS

The traditional public image of the Customs official is often portrayed as the uniformed man or woman at a frontier post or airport. The physical presence of Customs at the gateway to a country means checks can be conducted in real time before a decision is made to release a consignment of goods. It can also act as a deterrent to would-be fraudsters.

Border controls still have a part to play in a modern Customs service; however, excessive and time-consuming checks at the point of clearance can be counter-productive. Modern international commerce works to tight deadlines and national economic benefits can be derived as the result of the smooth and timely clearance of goods. Furthermore, the majority of international trade involves large corporations with global networks and complex business systems and supply chains. The limited documentation required to be produced at the time of importation does not provide the whole picture and context of a commercial transaction, which is necessary to properly determine, inter alia, the correct Customs value, classification and entitlement to preferential origin.

It becomes unfeasible, therefore, for Customs to make conclusive decisions regarding duty liability in the narrow time frame available. Neither is it appropriate to delay the clearance of goods whilst resolving such enquiries, unless fraud is suspected. Many administrations, therefore, now concentrate their controls on the post-importation environment, while retaining selective and targeted checks at the frontier.

By application of a post-clearance, risk-based approach, Customs are able to target their resources more effectively and work in partnership with the business community to improve compliance levels and facilitate trade. It should be pointed out that Post-Clearance Audits are measures to verify compliance and not instrument of "internal audits" (within the Customs administration) or even an investigation technique (as investigations are based on a completely different legal basis).

The Post-Clearance Audit (PCA) process can be defined as the structured examination of a business's relevant commercial systems, sales contracts, financial and non-financial records, physical stock and other assets as a means to measure and improve compliance. A dynamic risk management programme is indispensable for PCA. Further information on this topic is available in the WCO's Risk Management Compendium.

Stepping stones towards an effective PCA system: The transition from border-focused controls to PCA as the prime basis for Customs controls typically evolves over several years, as new processes and procedures are developed and new skills learnt. However, PCA implementation is not a standalone process; it needs to be embedded in a wider facilitation context, allowing simplified clearance procedures at the borders, warehousing procedures and other Customs regimes (e.g. regimes which build on a regularly functioning relationship between the Customs administration and the auditee). Customs controls are normally migrated in stages from the border to the post-importation environment. Some administrations have introduced, as a first step, post-importation transaction-based controls before adopting compliance-based PCA. Such an approach may be considered by those administrations embarking on the transition to PCA.

The WCO PCA Guidelines contain detailed information on the development and administration of a PCA programme as well as the operational aspects of PCA, with practical guidance and checklists for auditing officials; both volumes of the PCA Guidelines are available on the WCO website.

**Discovery of overvaluation fraud via PCA:** *During an audit carried out by Country Y of a company importing goods from Country X it was discovered that the declared customs value was too low. The company had calculated the customs value on basis of packing lists with estimated values. There was no invoice issued. The importer paid money in advance to the supplier and received monthly reports from the supplier explaining the costs for producing the goods during the month. The reports covered costs as: material, production fee, commission fee and freight costs in Country X. The customs value was established on the basis on the advance payments and the monthly reports. The customs value was increased by approximately 100 % as a result of the audit.*

**MTA**  
**UURIMISOSAKOND**



# DRUGS PROGRAMME

*The “Customs and Drugs” Chapter of the “WCO Illicit Trade Annual Report 2012” is prepared by the World Customs Organization (WCO) for the use of WCO Members and other law enforcement agencies. This year’s Report considers the analysis of seizures made in each of the main categories of drugs, in order to provide information on the latest trends highlighted in terms of routings, methods of concealment and other means of transport used to convey drugs.*



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# INTRODUCTION



*On 25 April 2010, officers from the Djanet Customs mobile team (Algeria) received a tip-off which led to the detection and seizure of 1100 kg of processed 'kif' (cannabis resin) after a long patrol at a place called Mont Mankhour, 280km from Djanet and 25 km from the road leading to the border town of In Azzen. This large quantity was camouflaged under sandstone by the smugglers*

*Photo courtesy of Algerian Customs.*

The seizure data have been compiled using information contained in the WCO Customs Enforcement Network (CEN) database, which has been operational since July 2000. WCO Members and Regional Intelligence Liaison Offices (RILOs) have made a contribution to this Report by entering the various interceptions and by validating seizure data.

All the figures and conclusions have been compiled from CEN reports up to **5 April 2013**. Data provided after that date arrived too late to feature in the Report.

This Report includes only seizures made by Customs, joint Customs and Police units or by other law enforcement agencies having Customs powers. No threshold was set for data analysis purposes and all the seizures incorporated in the CEN database have been taken into consideration.

To permit comparison between seizures, we have converted all amounts of tablets into kilograms (kg) by using the conversion rate

of one tablet to one third of a gram. Seizures reported in ampoule, capsule, unit, etc. are considered as being reported in tablet form and are therefore also converted into kg using the conversion rate mentioned above.

The analysis and trends that emerge from this Report are only as credible as the information from which they have been drawn. It is therefore important to stress that considerable care is needed when reaching conclusions, given that exceptionally large seizures might boost the analysis and that some Members have only provided partial data.

The 2012 Customs and Drugs Chapter is divided into two main parts. The first part gives an overview of the major drug types intercepted worldwide and of the key trends noted by Members.

The second part presents special items, with particular emphasis on initiatives, projects and operations implemented by the WCO Secretariat for its Members.

A total of 114 Members (for the period 2011-2012) reported seizures of drugs to the CEN database.

It is worth emphasizing that the number of seizures in 2012 (43,385 cases) fell slightly in comparison with 2011 (47,156 cases) and that there was a small downturn in the number of drugs intercepted and reported by Members (1,768,912 kg across all products in 2012, against 1,897,873 kg in 2011, equating to a drop of approximately 7%). This drop can be explained by a number of factors, the main one being changes in some Members' operational structures, and by the fact that some of them encountered problems submitting seizure data in time for inclusion in this Report. The Secretariat will work with Members to compile more comprehensive data for the 2013 Report.

Over the course of 2012, seizures of all forms of cannabis (resin, herbal and oil) amounted to a total of 1,486 tonnes, a decrease of over 9% in comparison with 2011 for which the total quantity was 1,627 tonnes. However, the United States remained the country having seized the most herbal cannabis with a total in excess of 1,200 tonnes and Spain remained the country having seized the most cannabis resin with a total in excess of 100 tonnes of products in 2012.

A little over 72 tonnes of cocaine were intercepted during 2012, compared with over 68 tonnes in 2011, amounting to an increase of approximately 6%. In keeping with what was noted in 2011, the countries of Western Europe intercepted the most cocaine (48%), followed by the United States with 37% and the countries of South America with 11%.

The number of seizures involving khat faltered slightly in 2012 (11,086 against 12,556 in 2011), whereas the total quantity intercepted was up by 2% to stand at over 118 tonnes of product.

In excess of 11 tonnes of opiates were intercepted by Customs in 2012, compared with over 14 tonnes in 2011. The countries of Western Europe, the United States and the Commonwealth of Independent States (CIS) made over 75% of the seizures.

As regards psychotropic substances, over 79 tonnes of products were intercepted in 2012 compared with only 71 tonnes in 2011. The seizures made in North America and in the counties of the Asia/Pacific Region accounted for 75% of the total quantity of products intercepted.

## Total number of seizures by RILO Region

Category	2011	2012	Total
Asia Pacific	1,320	2,186	3,506
Central Africa	19	10	29
Commonwealth of Independent States	1,137	1,256	2,393
Eastern and Central Europe	339	471	810
Eastern and South Africa	43	20	63
Caribbean	25	44	69
Middle East	1,151	989	2,140
North Africa	125	86	211
South America	746	541	1,287
West Africa	72	129	201
Western Europe	9,427	7,963	17,390
North America	32,752	29,690	62,442
<b>Total</b>	<b>47,156</b>	<b>43,385</b>	<b>90,541</b>

## Number of seizures by drug categories

Category	2011	2012	Total
Cannabis	19,361	17,040	36,401
Cocaine	7,296	6,250	13,546
Khat	12,556	11,086	23,642
Opiates	1,672	2,269	3,941
Psy drugs	6,271	6,740	13,011
<b>Total</b>	<b>47,156</b>	<b>43,385</b>	<b>90,541</b>

## Quantities seized by drug categories

Category	2011	2012	Total
Cannabis	1,627,644	1,486,834	3,114,478
Cocaine	68,360	72,543	140,903
Khat	116,114	118,581	234,695
Opiates	14,424	11,143	25,568
Psy drugs	71,331	79,810	151,141
<b>Total</b>	<b>1,897,873</b>	<b>1,768,912</b>	<b>3,666,785</b>



# GLOBAL OVERVIEW OF MAJOR DRUG TYPES



Seizure of heroin by French Customs

*Photo courtesy of French Customs.*



Brown heroin (brown-sugar)

*Photo courtesy of French Customs.*

This section provides an overview of the worldwide situation in respect of the main categories of drugs intercepted by Customs services in 2011 and 2012.

The analysis was carried out using data entered in the CEN database by WCO Members.

## Opiates

A total of 65 Members reported opiate seizures in 2012. The table below shows the number of seizures and quantity of products seized for the years 2011-2012, by RILO region.

As was already the case in 2011, North America and the countries of Western Europe and, to a lesser extent, the countries of the CIS, the

### Opiates: number of seizures and quantity seized by RILO region

RILO Region	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Asia Pacific	210	9,991	360	1,113
Central Africa	1	2	3	7
Commonwealth of Independent States	219	219	259	2,075
Eastern and Central Europe	45	356	80	1,047
Eastern and South Africa	7	287	5	223
Middle East	127	104	69	78
North America	645	1,858	984	3,290
South America	5	6	2	8
West Africa	6	214	5	48
Western Europe	407	1,388	502	3,255
<b>Total</b>	<b>1,672</b>	<b>14,424</b>	<b>2,269</b>	<b>11,143</b>



*Seizure of 19.3 kilos of heroin by Customs at Félix Houphouët Boigny Airport (Côte d'Ivoire). The drugs were concealed in the side walls of boxes containing footballs*

*Photo courtesy of Côte d'Ivoire Customs.*

countries of Central and Eastern Europe and the countries of Asia/Pacific were the source of the biggest seizures made within this category of drug.

With regard to 2011, the general data was heavily influenced by two exceptional seizures of poppy straw, involving a quantity of 7.7 tonnes, made by Pakistan Customs (Asia/Pacific).

As clearly shown in the table page 43, the quantities of opiates intercepted for 2012 by the United States, the countries of Western Europe and the countries of Central and Eastern Europe more than doubled in comparison with 2011 and, for the CIS countries, the quantity increased tenfold.

We will now go into a little more detail in the following paragraphs.

### **Heroin**

The number of heroin seizures increased significantly, given that 1,708 cases were reported in 2012, compared with only 1,325 cases in 2011. Almost seven (7) tonnes of heroin were seized in 2012, approximately two (2) tonnes more than in 2011.

It transpires from the table listing the top ten countries having seized over 15 kg of heroin in 2012 that the United States, with 655 interceptions totalling 2,045 kg, was well ahead of France with 75 inter-

ceptions totalling 579 kg, Pakistan with 52 interceptions totalling 470 kg, Germany with 195 interceptions totalling 366 kg, and China with 157 interceptions totalling 201 kg.

It is also worth noting that for all these countries, other than China, the results in quantitative terms were up sharply by comparison with 2011<sup>[1-See graphic next page]</sup>.

As for the number of seizures made in 2012, the majority of heroin consignments were transported by air (30%) or by postal or express mail (22%), as well as by road (25%), other conveyances only playing a minor role.

Turning to the quantities of heroin intercepted, the percentages change somewhat with road transport on top with over 43%, ahead of air transport (passengers and freight combined) with 34%, and postal and express freight with 7%.

The data as a whole (number of seizures and quantity), as reported in the last two paragraphs above, differ somewhat from the data in the table below covering opiates in general.

With regard to the United States, which was responsible for 50% of the quantities of heroin intercepted in 2012, the seizures made in overland transport (private vehicle, bus, van) or from pedestrians ac-

## Opiates: number of seizures and quantities seized by means of transport

Transport	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Air	547	1,108	572	2,720
Mail	417	721	738	1,693
Other	20	25	9	37
Pedestrian	138	131	230	191
Rail Train	50	49	59	54
Unknown	82	1,183	150	566
Vehicle	387	10,606	486	5,429
Vessel	31	602	25	454
<b>Total</b>	<b>1,672</b>	<b>14,424</b>	<b>2,269</b>	<b>11,143</b>

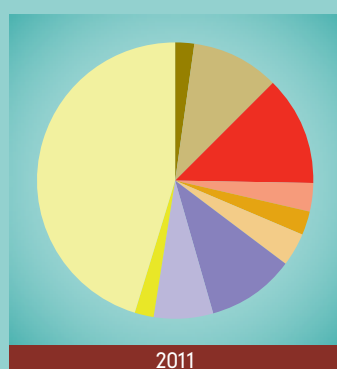
counted for over 61% of the total quantity seized in that country. All these seizures were made on the land border with Mexico.

Over 80 countries were reported as departure countries for heroin consignments. However, only five (5) appear in the CEN database for a total quantity in excess of 400 kg, those being Tanzania (42 cases totalling 1,342 kg), followed by Mexico (299 cases totalling 1,287 kg), Turkey (44 cases totalling 1,039 kg), Pakistan (120 cases totalling 691 kg) and South Africa (three (3) cases totalling 464 kg).

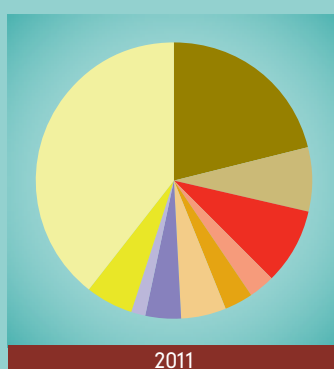
Three (3) exceptional seizures made in 2012 are worthy of mention. The first was an interception made by Netherlands Customs on 17 November 2012 at Amsterdam airport in the air freight sector. Netherlands Customs officers seized 451 kg of heroin from a shipment consigned in South Africa, transiting via the Netherlands and bound for Canada (CEN No. 115028).

The second seizure was made on 7 April 2012 by Australian Customs at Sydney postal centre. 57.2 kg of heroin were discovered in four

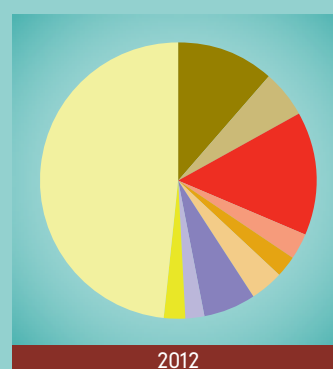
[1] Heroin:  
number of seizures



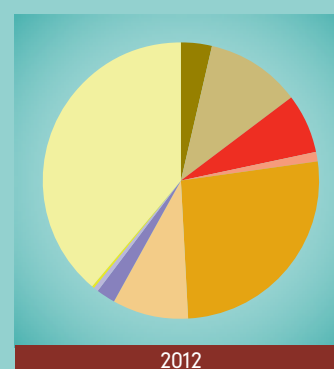
Heroin:  
quantity seized (kg)



Heroin:  
number of seizures



Heroin:  
quantity seized (kg)







*Seizure of 6.63 kilos of heroin on 21.11.2012 (during Operation Westerlies) by Cameroon Customs at Douala International Airport. Routing of the courier: Burundi-Nigeria-Kenya- Cameroon*

*Photo courtesy of Cameroon Customs.*

parcels said to contain hair care products, on a Cambodia – Australia routing (CEN No. 92181).

The third seizure was made on 19 March 2012 by United States Customs officers at the Cincinnati express mail centre. The seizure related to 54.85 kg of heroin consigned in Ecuador (CEN No. 151410).

### **Opium**

A total of 406 opium seizures representing 1,556 kg were reported in 2012, whereas in 2011 the number of seizures stood at 247 for a total quantity of 1,406 kg. Over 50% of seizures were made by United States Customs, and in quantitative terms this equated to 68%.

As was already the case in 2011, over 95% of interceptions in the United States were made in postal and express mail items consigned in Lao People's Democratic Republic, China and Thailand.

Two other countries made opium seizures amounting to a total quantity in excess of 100 kg in 2012, those being Kazakhstan with two (2) seizures totalling 183 kg and Pakistan with seven (7) seizures totalling 129 kg.

As for Pakistan, all the seizures, involving quantities ranging from three (3) to sixty kg, were made in overland transport, with the drugs concealed in specially contrived hiding places in fuel tanks, in spare wheels or else in specifically constructed cavities in the means of transport.

Turning to Kazakhstan, the two seizures made in 2012 related, respectively, to 182 kg of opium discovered on board a road vehicle coming from Kyrgyzstan, and to 1.5 kg of opium discovered on a pedestrian on the land border with Kyrgyzstan.

In terms of the place of consignment and/or source of the opium seized in 2012, Lao People's Democratic Republic appeared 85 times as a country of consignment in routings, well ahead of Thailand (43 times), Iran (27 times), Turkey (20 times), Pakistan (16 times) and China (15 times).



*Seizure of 2.712 kilos of heroin concealed in several natural cavities in a tourist vehicle, by Serbian Customs. The vehicle was travelling from Bulgaria, transiting through Serbia and bound for Naples (Italy)*

*Photo courtesy of Serbian Customs.*

## Cocaine

An analysis of the first table (below) containing worldwide cocaine seizures shows that the number of seizures fell substantially in 2012 compared with 2011 (13%). As regards the quantities intercepted, 2012 saw an increase of more than four (4) tonnes of products over 2011.

Overall, we can see that the situation remained relatively stable (comparing the two reference years) in the four RILO regions which together accounted for 99% of the total quantity of cocaine seized, those being Western Europe, North America, South America and Asia/Pacific.

In keeping with what was observed over the previous five to six years, it is clear that the main markets for cocaine consumption are Western Europe (49% of quantities seized) and North America (37%).

It should also be noted that there was a substantial increase in the number of seizures and quantities of cocaine intercepted in the Asia/Pacific Region in 2012.

Ships by far remained the most widely used means of transport for cocaine trafficking. Although consignments transported by sea accounted for just 4% of the number of seizures in 2012 (exactly the

same percentage as in 2011), they nevertheless constituted in excess of 60% of the quantities of cocaine intercepted.

Maritime containers (conventional or refrigerated) or specially contrived hiding places in commercial vessels, yachts or fishing boats were the favoured concealment methods for shipping large quantities of cocaine.

The airport sector (passengers or commercial freight) continued to play a key role in cocaine smuggling. In fact, 45% of the total number of seizures came from this sector. The methods for concealing cocaine in hand or hold baggage are often extremely sophisticated and frequently require the use of detection equipment (X-ray machine) or detector dogs for greater effectiveness.

Concealment in or on the body remains one of the standard methods used, especially for this category of drug.

Postal and express mail form extremely sensitive channels, as borne out by the outstanding results obtained during Operation SKY-NET, for which you will find a summary of the results in the second part of this Report. The number of interceptions made in these channels stood at 31%.

## Cocaine: number of seizures and quantities of seized by RILO Region

RILO Region	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Asia Pacific	66	288	148	1,106
Central Africa	1	145	5	21
Commonwealth of Independent States	8	27	25	36
Eastern and Central Europe	20	27	33	264
Eastern and South Africa	28	172	6	11
Caribbean	16	45	34	40
Middle East	22	80	14	144
North Africa	11	21	1	3
North America	3,033	23,115	2,100	26,709
South America	638	10,182	395	8,189
West Africa	6	16	23	120
Western Europe	3,447	34,241	3,466	35,900
<b>Total</b>	<b>7,296</b>	<b>68,360</b>	<b>6,250</b>	<b>72,543</b>

## Cocaine: number of seizures and quantities seized by means of transport

Transport	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Air	2,567	7,326	2,784	8,690
Mail	2,943	3,024	1,942	2,680
Other	23	725	15	2,511
Pedestrian	99	252	81	185
Rail	64	43	75	48
Unknown	344	5,796	256	5,125
Vehicle	968	12,409	826	9,276
Vessel	288	38,786	271	44,028
<b>Total</b>	<b>7,296</b>	<b>68,360</b>	<b>6,250</b>	<b>72,543</b>

Finally, overland transport should not be overlooked. According to our analysis, 13% of the total number of seizures were made in this sector, and the same percentage applies to the quantity of products intercepted in 2012.

It is not surprising to note that the top ten countries having made the greatest number of cocaine seizures in 2012 include seven (7) countries from Western Europe, the United States (main countries of consumption for this type of drug), and two countries from the “source region”.

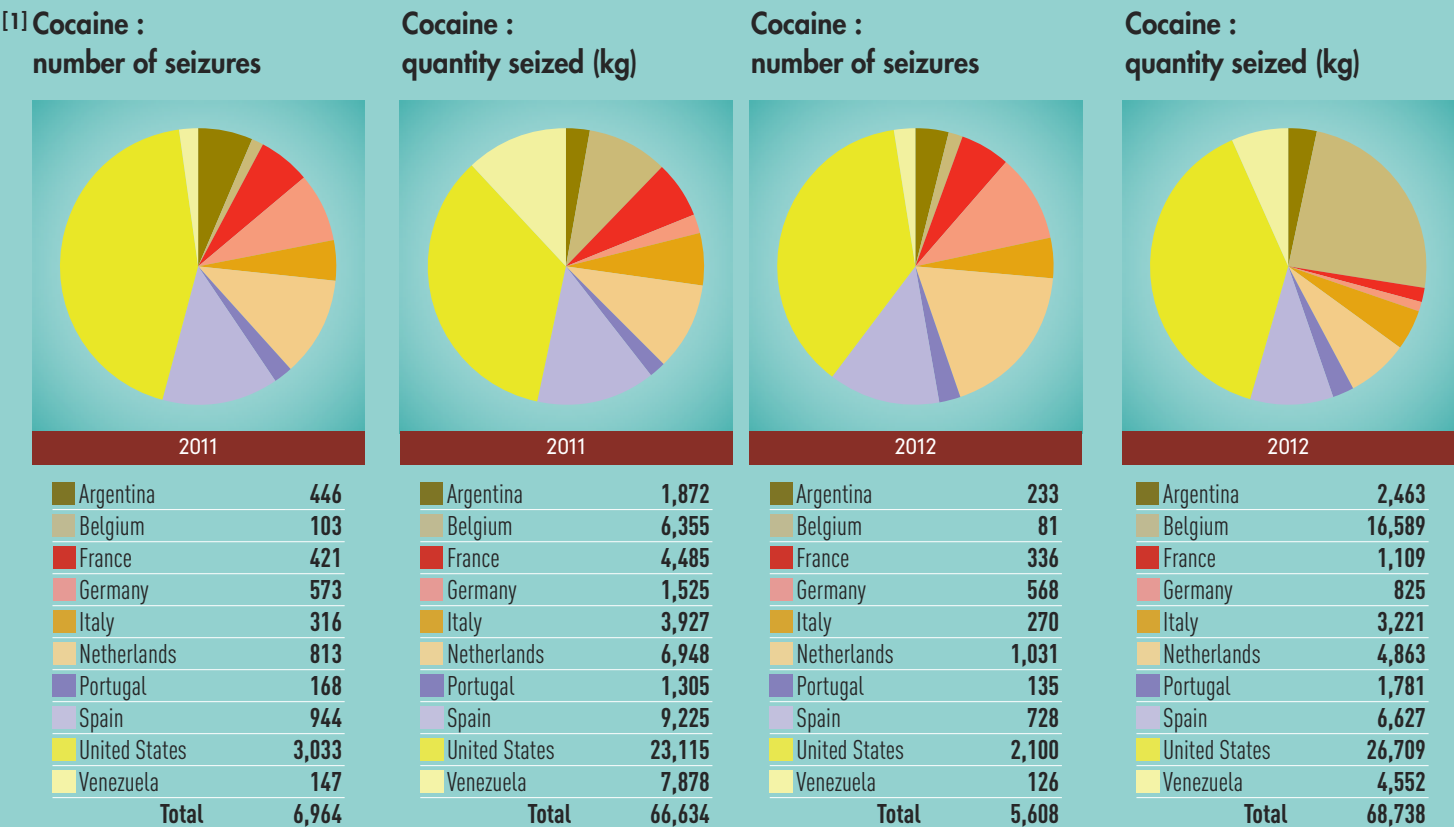
Some countries witnessed a substantial fall in their results from a quantitative perspective in 2012, especially Venezuela, Spain, the Netherlands, Germany and France.

Belgium excelled in 2012 with a trebling in the quantity of cocaine seized (over 16 tonnes), due in part to two exceptional seizures made at Antwerp port. The first involved 8,032 kg of cocaine concealed in a shipment of bananas within a refrigerated container coming from Ecuador. The second involved 2,352 kg of cocaine concealed in a shipment of foodstuffs, also coming from Ecuador.



Seizure by South African Customs of 1.6 kilos of cocaine concealed in checked-in luggage

Photo courtesy of South African Customs.







*Seizure of 32 pellets of liquid cocaine (1,650 kilos) in March 2012 by Estonian Customs at Tallinn Airport, on a courier travelling from Moscow*

*Photo courtesy of Estonian Customs.*

As for the United States, the number of seizures made in 2012 fell substantially, while the quantities intercepted increased by over 3 (three) tonnes.

As was already the case in 2011, Mexico was the main country of consignment for this drug bound for the United States, followed in descending order by the Dominican Republic, the British Virgin Islands, Paraguay and Colombia.

As regards Western Europe, our analysis shows that the countries of

consignment of cocaine seized, taking account only of quantities in excess of one (1) tonne, were Ecuador (14,442 kg), the Dominican Republic (3,173 kg), Brazil (2,311 kg), Colombia (2,255 kg), Peru (2,244 kg), Argentina (1,539 kg) and Chile (1,479 kg).

The number of outstanding seizures of cocaine remained relatively high in 2012. In fact, 21 interceptions of cocaine exceeded 500 kg and ten (10) exceeded one (1) tonne.

These 21 exceptional seizures accounted for approximately 50% of the total quantity of cocaine seized in 2012.



*In November 2012, Spanish Customs in Algeciras intercepted 50 litres of cocaine in the water tank of the « Poséidon », a sailing boat, arriving from Ecuador*

*Photo courtesy of Spanish Customs.*

## Cannabis

Cannabis undoubtedly remains one of the most readily available and widely used drugs throughout the world. Its cultivation does not require any specific technical expertise or elaborate processes, explaining why it is grown in most of the world's countries. It is also consumed in the majority of countries. The rising levels of indoor and hydroponics cultivation in several regions of the world, but particularly the northern hemisphere, are cause for concern among drug enforcement agencies.

A total of 96 Members reported cannabis seizures in 2012. The table below shows the number of seizures and the quantity of products intercepted for 2011-2012 by RILO region.

As was already the case in 2011, and in descending order, North America (1,269 tonnes) and the countries of Western Europe (133 tonnes), followed by the countries of North Africa (24 tonnes), Asia/Pacific (21 tonnes), Central and Eastern Europe (15 tonnes), West Africa (11 tonnes) and South America (eight (8) tonnes) and, to a lesser degree, the countries of the Middle East (three (3) tonnes) and the CIS (0.5 tonne), were responsible for the largest seizures of this category of drug.

It is nevertheless worth stating that in comparison with 2011, there was a 12% fall in the number of seizures and a 9% fall in the quantity seized for the reference year.

The table at page 52 listing the top ten countries having seized over four (4) tonnes of cannabis in 2011 and over six (6) tonnes in 2012 does not specify the breakdown between cannabis resin and herbal cannabis.

The following paragraphs provide additional details on these two types of drug.

### Cannabis resin

Although the number of seizures of cannabis resin remained relatively stable (1,942 cases in 2012 against 1,900 in 2011), the quantities intercepted declined significantly in 2012 (161 tonnes) in comparison with 2011 (179 tonnes).



*Seizure of cannabis by Estonian Customs, originating in the Netherlands*

*Photo courtesy of Estonian Customs.*

The countries which excelled in 2012 by seizing over two (2) tonnes of cannabis resin were, in descending order, Spain (105,570 kg), Morocco (24,299 kg), France (10,982 kg), Pakistan (9,754 kg), Bulgaria (4,202 kg) and Yemen (2,279 kg).

As was the case in previous years, Morocco remained the reference source country for cannabis resin with 114 tonnes of products consigned in that country in 2012. The majority of the cannabis resin was intended for the European market. Pakistan was also a source country with a total of 10,487 kg intercepted originating in that country.

## Cannabis: number of seizures and quantity seized

RILO Region	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Asia Pacific	267	62,035	410	20,917
Central Africa	16	154		
Commonwealth of Independent States	395	905	419	472
Eastern and Central Europe	128	2,844	215	15,550
Eastern and South Africa	2	71	7	6
Caribbean	8	9	10	9
Middle East	164	6,178	228	3,336
North Africa	114	9,680	85	24,299
North America	14,172	1,357,177	13,143	1,269,785
South America	98	9,114	137	8,151
West Africa	56	18,101	92	10,942
Western Europe	3,941	161,375	2,294	133,367
<b>Total</b>	<b>19,361</b>	<b>1,627,644</b>	<b>17,040</b>	<b>1,486,834</b>



*Seizure of 10.6 kilos of cannabis concealed in a spare wheel, by Serbian Customs in a vehicle leaving Serbia for Switzerland*

*Photo courtesy of Serbian Customs*



Yemen, which had been identified as a cannabis resin source country in 2010, appeared as a departure country in 2012 in the case of 38 interceptions involving a total of 2,312 kg.

Spain and the Netherlands, with 24,304 kg and 1,431 kg respectively, featured as consignment countries in the routings, but actually served as redistribution countries for this type of drug.

As in previous years, overland transport remained the preferred delivery method (lorries, vans, private vehicles) for cannabis resin, with 87 tonnes of products intercepted in this means of transport, followed by sea transport with 71 tonnes of products intercepted. All the other means of transport accounted for at least one (1) tonne of this type of drug.

Three exceptional seizures made in 2012 are worth mentioning. The first was an interception by Spanish Customs on 15 March 2012 at Algeciras port. Spanish Customs officers seized 8,362 kg of cannabis resin in the "commercial freight" sector from a load consigned in Morocco and bound for France (CEN No. 112097).

The second seizure was made on 2 June 2012 by Moroccan Customs at Casablanca port. Moroccan Customs officers discovered 5,760 kg of cannabis resin concealed in 31 palettes containing plastic bags. The load was bound for Belgium (CEN No. 111928).

The third seizure was made on 1 July 2012 by Bulgarian Customs at Vidin river port. Bulgarian Customs officers discovered 4,201 kg of cannabis resin in a lorry having left from Romania with Belgium as its final destination. The drugs were concealed in wall panels. (CEN No. 110010).

#### **Herbal cannabis**

With regard to herbal cannabis, not only the number of seizures but also the quantities intercepted fell substantially in 2012 (14,548 cases totalling 1,320,040 kg) in comparison with 2011 (17,215 cases totalling 1,446,787 kg).

The countries which excelled in 2012 by seizing over five (5) tonnes of herbal cannabis were, in descending order, the United States

(1,267,997 kg), Bangladesh (9,975 kg), Burkina Faso (8,757 kg), Albania (6,704 kg), and Argentina (6,410 kg).

It goes without saying that, in keeping with the results achieved in 2011, the United States unquestionably remained the most effective country in terms of herbal cannabis seizures with 1,268 tonnes intercepted out of a total of 1,320 tonnes across all countries (97% of the total quantity).

The majority of the herbal cannabis seizures by the United States were made inside the territory and many of the shipments intercepted came from Mexico.

As for the source countries featured in the CEN database, Mexico was the clear leader with 201,843 kg intended almost solely for the United States, followed by India with 10,038 kg, Albania with 9,608 kg, Ghana with 8,796 kg, Jamaica with 8,123 kg and Paraguay with 6,918 kg.

Three exceptional seizures were made in 2012. The first was an interception by United States Customs on 28 March 2012 at El Paso, on the land border with Mexico. United States Customs officers seized 3,631 kg of herbal cannabis from a tractor-trailer coming from Mexico (CEN No. 152012).

The second seizure was made on 19 October 2012 by Albanian Customs in Gjirokastër, on the border with Greece. 3,360 kg of herbal cannabis were discovered in a lorry coming from Albania and bound for Greece (CEN No. 109799).

The third seizure was made on 11 August 2012 by Argentine Customs at Paso de los Libres, on the land border with Paraguay. The interception, which involved a total of 3,453 kg of herbal cannabis, was made on board a tractor-trailer coming from Paraguay (CEN No. 116395).

## **Top 10 countries: Number and quantity of cannabis seized**

Countries	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Argentina	82	6,662	64	6,539
Bangladesh	70	4,760	213	9,975
Belgium	8	8,359	7	1,210
Burkina Faso	19	15,340	35	8,757
France	108	30,664	104	11,360
India	26	36,754	1	31
Morocco	114	9,680	85	24,299
Pakistan	37	19,522	26	9,754
Spain	1,234	111,277	1,367	106,749
United States	14,172	1,357,177	13,143	1,269,785
<b>Total</b>	<b>15,870</b>	<b>1,600,195</b>	<b>15,045</b>	<b>1,448,460</b>



Seizure of fresh Khat by French Customs

Photo courtesy of French Customs.

## Khat

Khat (*Catha edulis*) is a drug that is primarily cultivated in Eastern Africa (Somalia and Kenya) and the Arabian Peninsula. The legal status of khat is not uniform throughout Europe (it is illegal in 16 of the 27 European Union member states). It is legally exported to the Netherlands and the United Kingdom in particular, as it is not considered an illegal drug by those countries. Secondary distribution then takes place from those countries, mainly to Scandinavia and the United States.

A review of the table below listing the “Number and quantity of khat seized by RILO region” clearly shows that Western Europe and the United States together accounted for 99% of the total khat seizures made in 2012 and 98% of the total quantity seized.

This category of drug only made a minor appearance in other regions of the world.

In terms of the number of seizures made in 2012, as with the data recorded for 2011, the vast majority of khat consignments were sent by postal or express mail (93%), followed by air transport (3%) and road transport (2%), other conveyances only playing a minor role.

This predominance of postal or express mail in relation to the number of seizures recorded in 2012, as in 2011, was due particularly to the fact that khat is a product that needs to be consumed while fresh.

With respect to the quantities of khat intercepted, there was a sharp change in the percentages, with road transport taking second place with over 40%, behind the postal or express mail sector with 46%

## Khat: number of seizures and quantity seized

RILO REGION	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Asia Pacific	13	42	14	1106
Commonwealth of Independent States	3	47	5	60
Middle East	140	516	71	271
North America	11,916	61,400	10,516	56,524
Western Europe	484	54,109	480	60,620
<b>Total</b>	<b>12,556</b>	<b>116,114</b>	<b>11,086</b>	<b>118,581</b>

and ahead of air transport (passengers and freight combined) with 8%. Finally, sea and rail transport accounted for 2% apiece.

The 40% attributable to road transport was essentially due to the predominance of this conveyance for delivering this category of drug to Western Europe.

According to the table listing the top ten countries having seized over 400 kg of khat in 2012, the United States, Germany, Sweden, Denmark, Norway and Finland more or less repeated their 2011 performance, France substantially increased its results both in terms of seizures and the quantities intercepted, and China, Hong Kong, China and Switzerland reported results in excess of one (1) tonne, whereas they did not feature in the table in 2011.

An analysis of the routings followed resulting in the khat seizures demonstrates that with respect to the countries of final destination, out of a total of 118 tonnes of khat intercepted in 2012, 53 tonnes were bound for the United States, 28 tonnes for Denmark, 10 tonnes for Sweden, nine (9) tonnes for Norway and three (3) tonnes for Canada.



*Seizure of fresh Khat by Estonian Customs*

*Photo courtesy of Estonian Customs.*

## Khat: number of seizures and quantities seized by means of transport

Transport	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Air	358	6,787	359	10,431
Mail	11,879	60,056	10,408	55,259
Other	18	252	44	400
Pedestrian	2	42		
Rail Train	88	3,848	72	2,975
Unknown	3	144	2	71
Vehicle	207	44,963	197	46,450
Vessel	1	23	4	2,995
<b>Total</b>	<b>12,556</b>	<b>116,114</b>	<b>11,086</b>	<b>11,581</b>

## Top 10 countries : Number and quantity of khat seized

Country	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Denmark	44	6,599	32	7,612
Finland	21	676	16	415
France	23	950	43	2,614
Germany	84	23,818	86	27,505
Hong Kong, China			10	1,097
Italy	32	738	27	4,905
Norway	132	8,308	122	6,350
Sweden	140	12,811	118	9,511
Switzerland			22	1,526
United States	11,916	61,400	10,516	56,524
<b>Total</b>	<b>12,392</b>	<b>115,299</b>	<b>10,992</b>	<b>118,059</b>



## PSYCHOTROPIC SUBSTANCES

Seizures of psychotropic substances were entered in the CEN database using a very wide variety of units such as capsules, ampoules, tablets, doses, etc. To simplify matters, these different units have been considered as tablets and all the amounts have been converted into kg at the conversion rate of one unit to one third of a gram, thus permitting an analysis to be carried out.

Every region, with the exception of North Africa, reported seizures involving psychotropic substances. Generally speaking, there was a slight increase in cases between 2011 and 2012, both in terms of the number of seizures and the quantities intercepted. This upward trend was observed in virtually every region of the world, apart from the Middle East which saw a sharp fall in the quantities intercepted.

In contrast, North America, which took first place in the statistics, trebled the quantities intercepted in 2012 while the number of seizures remained almost the same as in 2011.

Asia/Pacific followed suit and excelled in terms of the results

achieved in 2012, which showed a sevenfold increase over 2011.

Western Europe concluded the leading trio, with an upward progression of almost 37% in terms of the seizures made between 2011 and 2012.

In terms of the quantities of products intercepted in the psychotropic drugs domain, the most commonly used means of transport remained road vehicles, whereas postal and express mail remained the preferred channel as far as the number of seizures made was concerned (approximately 50% of the total seizures carried out both in 2011 and 2012).

This situation also confirmed the reputation of this means of transport which remained conducive to the large-scale consignment of small quantities of psychotropic substances, posing a minimum risk of arrest to crime syndicates.

Air transport also increased considerably in terms of the quantities of products seized, as did pedestrian transport, while maritime transport experienced a sharp decline in 2012.

## Number of seizures and quantity seized

RILO Region	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Asia Pacific	764	3,541	1,254	23,938
Central Africa	1	0.01	2	2
Commonwealth of Independent States	515	71	553	232
Eastern and Central Europe	143	190	138	222
Eastern and South Africa	6	10	2	10
Caribbean	1	0.01		
Middle East	698	52,502	607	9,421
North America	2,986	10,494	2,947	34,632
South America	5	256	7	11
West Africa	4	7	9	47
Western Europe	1,148	4,259	1,221	11,296
<b>Total</b>	<b>6,271</b>	<b>71,331.02</b>	<b>6,740</b>	<b>79,810</b>

## Number of seizures and quantities seized by means of transport

Transport	2011		2012	
	Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
Air	710	1,706	754	2359
Mail	3,001	4,594	3,048	11,678
Other	150	1,953	25	1,109
Pedestrian	408	465	913	9,182
Rail Train	56	61	72	69
Unknown	290	1,568	382	24,480
Vehicle	1,384	29,818	1,421	29,607
Vessel	272	31,168	125	1,327
<b>Total</b>	<b>6,271</b>	<b>71,331</b>	<b>6,740</b>	<b>79,810</b>

Substances such as amphetamine (associated with Captagon), methamphetamine, ecstasy and GBL alone accounted for over 55% of the total quantity of psychotropic drugs seized in 2012.

This high percentage informed our choice to focus on them, bearing in mind, inter alia, that the other products reported were generally substances that were not monitored internationally, although some countries classified them as “prohibited” under their national legislation.

According to the below table, apart from North Africa, all the other regions of the world were affected by amphetamine trafficking. The same was true of methamphetamine which featured in every region except North Africa, Central Africa and the Caribbean.

An increase in amphetamine seizures was noted in North America, Western Europe and the Middle East, with large quantities also being recorded in North America and Asia/Pacific.

Seizures involving MDMA (ecstasy) and GBL were mainly made in Europe, Asia, North America and, to a lesser extent, the Middle East.

Turning to the quantities intercepted, general seizures of psychotropic substances more than doubled between 2011 and 2012, increasing from 21,420 kg to 44,063 kg. The number of seizures made followed this upward trend, rising from 2,731 cases in 2011 to 3,234 cases in 2012.

#### **Amphetamine and Captagon**

##### **Amphetamine**

With a total quantity of 30,688 kg seized in 2012 in 631 interceptions, amphetamine made up two-thirds of the total quantity of products selected for our analysis of psychotropic substances.

North America alone accounted for 50% of the quantities seized, followed by the Middle East and Western Europe, with other regions of the world only featuring to a small degree.

Amphetamine seizures made by United States Customs had a strong bearing on the doubling of the overall statistics for 2012.

- On 25 March 2012, United States Customs officers seized 21,801 kg of amphetamine (source and destination unknown), taking the form of white pills. This was an exceptional seizure which heavily influenced the general results.

### **Number of seizures and quantity seized by RILO region**

Categories	RILO Region	2011		2012	
		Number of seizures	Quantity (kg)	Number of seizures	Quantity (kg)
<b>Amphetamine</b>	Asia Pacific	7	163	48	67
	Central Africa	1	0.01		
	Commonwealth of Independent States	14	11	21	0.01
	Eastern and Central Europe	34	113	33	42
	Eastern and South Africa			1	9
	Middle East	150	9,166	95	5,248
	North America	8	11	229	22,777
	South America	1	0	2	0
	West Africa	1	2		
	Western Europe	192	1,836	202	2,545
<b>GBL</b>	Asia Pacific	6	12	11	938
	Commonwealth of Independent States			3	57
	Eastern and Central Europe	2	3	9	16
	North America	444	853	275	629
	Western Europe	20	1,084	94	253
<b>MDMA (ecstasy)</b>	Asia Pacific	14	21	56	1,025
	Commonwealth of Independent States	5	2	5	0.01
	Eastern and Central Europe	8	21	16	114
	Middle East	3	18		
	North America	82	326	287	1,179
	South America	3	5	5	11
	Western Europe	112	481	145	438
<b>Methamphetamine</b>	Asia Pacific	428	817	453	1,570
	Commonwealth of Independent States	9	7	13	76
	Eastern and Central Europe	5	20	10	24
	Eastern and South Africa	1	2		
	Middle East	10	33	24	3
	North America	1,097	6,335	1,042	6,645
	West Africa	3	6	8	36
	Western Europe	71	74	147	361
<b>Total</b>		<b>2,731</b>	<b>21,420.01</b>	<b>3,234</b>	<b>44,063.02</b>



Seizure of 35 kilos of Contact NT by New Zealand Customs in a pizza oven from China. This product is a medicament containing a high proportion of Pseudoephedrine used for making methamphetamine



Photos courtesy of New Zealand Customs.

Other amphetamine seizures reported by the United States situate this country at the crossroads of trafficking, with the main departure countries being Mexico and, to a lesser extent, China. The most widely used channel for transporting amphetamine coming from China was mail. As for amphetamine originating in Mexico, the most widely used channel was transport by vehicle.

Despite the general decline in psychotropic substances noted in the Middle East in 2012, the region nevertheless reported major amphetamine seizures which, additionally, placed it second in terms of the quantities intercepted in 2012.

Saudi Arabia formed a large market in this region based on the quantities seized. One exceptional seizure was also recorded there in 2012.

- On 4 March 2012, Saudi Arabian Customs officers intercepted 850 kg of amphetamine from a Saudi national on board a public coach having travelled from Jordan to Saudi Arabia.

Jordan and Syria remained the main supply countries for amphetamine bound for Saudi Arabia. Transport by vehicle dominated the statistics, followed by air transport.

### Captagon

Captagon seizures are very frequently incorporated with amphetamine seizures, and rightly so, as they contain a significant percentage of amphetamine. We have nevertheless separated them in order to look at them on their own, given that this product is frequently counterfeit but nevertheless remains dangerous as it may contain harmful substances. It is worth pointing out that the Captagon circulated almost exclusively in the Middle East.

For 2012, 3,881 kg of Captagon were intercepted and this equated to a substantial fall on 2011.

Saudi Arabia seized 3,237 kg of Captagon in 2012, some 83% of the total quantity intercepted in percentage terms. Jordan and the United Arab Emirates totalled 316 kg and 167 kg respectively in 2012.

Jordan and Syria were the main countries of consignment for the seizures reported by Saudi Arabia.

As was noted for amphetamine, road transport was generally pre-

ferred for Captagon trafficking, with concealment in personal effects and baggage.

### Methamphetamine

Interceptions of methamphetamine also rose in 2012, both as regards the number of seizures made (from 1,624 interceptions in 2011 to 1,697 interceptions in 2012), and the quantities intercepted (from 7,293 kg in 2011 to 8,714 kg in 2012).

The largest quantities seized came from South America, whereas the greatest amount of seizures was attributable to Asia/Pacific. This product is widely consumed in these two parts of the world, and in Asia/Pacific in particular.

Three (3) countries reported the biggest quantities of this substance intercepted namely the United States, Bangladesh and Japan.

The United States made 1,042 seizures involving a quantity of 6,645 kg, some 76% of the total quantity seized worldwide. Bangladesh recorded 105 interceptions weighing 555 kg and Japan reported 95 seizures weighing 422 kg.

It is worth mentioning that European countries also reported methamphetamine seizures, but in smaller proportions.

Mexico appeared as a departure country for methamphetamine bound for the United States (80% of the quantities intercepted, predominantly by overland transport). However, the existence of trafficking and national production ought to be taken into consideration in the United States, in light of the many seizures of the domestic type made there.

As for amphetamine seizures made in Bangladesh, it was noted that India remained the departure country for this product. All the seizures in Bangladesh in 2012 involved pedestrians coming from India.

Japan was the third country of final destination for methamphetamine, coming from highly varied sources. Mexico, Iran, and Hong Kong, China were reported as departure countries for seizures in excess of 20 kg. Africa increasingly features as a source for this product, with a recurrence of interceptions involving quantities that rarely exceeded 10 kg. Japan, which led the statistics in terms of the number





On 19 July 2012, during a major operation, Australian Customs carried out a seizure of 306 kilos of ICE (methamphetamines) and 252 kilos of heroin concealed in earthenware pots



Photo courtesy of Australian Customs.

of seizures, reported an exceptional seizure of 108 kg in 2012.

- On 7 December 2012, following a risk assessment, Japanese Customs officers at Hakata/Fukuoka port intercepted 190 kg of methamphetamine from a vessel having made the following journey – “Rotterdam (Netherlands) – Busan (Republic of Korea) – Hakata (Japan)”. The product was concealed in the wheel rims of towing vehicles and five (05) individuals were detained. They were a Japanese national born in 1975 (recipient of the consignment), a Vietnamese national born in 1977 (carrier), an American national born in 1970 (carrier), a Canadian national born in 1979 and a Serbian national born in 1960. This was Japan’s most significant seizure in 2012 (see photos below).
- Among the European countries having made the most significant seizures were Germany with 72 seizures totalling 247 kg, France with 23 seizures totalling 51 kg, Israel with 38 seizures totalling 31 kg and Sweden with four (4) seizures totalling 22 kg. These countries were used to transit methamphetamine having departed solely from Africa (Nigeria, Benin, Cameroon, Ghana, Niger) and bound for Asian countries.



### MDMA (ecstasy)

The quantities seized (2,767 kg) in 2012 trebled in comparison with the 2011 results and the number of seizures doubled to reach 514 interceptions.

North America and Europe were especially successful, with Western Europe ahead of Eastern and Central Europe.

In terms of North America, the United States, which accounted for 1,179 kg across 287 seizures, reported that the source countries essentially comprised Mexico, China and Canada. There also appeared to be local production with domestic seizures referring to large quantities.

The drugs were most often trafficked by vehicle, though postal and express mail dominated in terms of the number of seizures with over half of the total interceptions.

Half the quantities intercepted related to seizures made within the territory involving an “unknown” means of transport.

The Western Europe region, the second interception zone for this type of drug, accounted for 438 kg in 2012, a slight fall in comparison with 2011, whereas the number of seizures increased slightly (in excess of 27%). Belgium, the United Kingdom and Germany excelled with the largest quantities seized.

The transport routes referred to circulation within the zone and the Netherlands formed the major production source in light of the 54 seizures, for a total weight of 319 kg mentioning the Netherlands as the departure country.

Ecstasy was mainly transported within Western Europe by air and by postal and express mail.

### GBL

GBL (gamma butyrolactone), better known as the “date rape drug” breaks down into GHB in the body. It has been monitored since 2000 and has been listed in the United Nations (UN) Convention on Psychotropic Substances since 2001.

Due to the recurrence of this product in our statistics, we decided to place special focus on it by drawing Customs Services’ attention to the vital need to monitor this trafficking more effectively.

Trade in GBL remained relatively stable, even falling moderately in 2012 compared with 2011 within the regions of Western Europe and the United States, and showing a substantial increase in Asia/Pacific.

The main countries of consignment for the seizures made in the United States were Poland and China, with postal and express mail the most widely used means of transport.

For Asia/Pacific, Hong Kong, China, Australia and New Zealand reported seizures mentioning China as the country of departure and mail as the most commonly used means of transport.

Hong Kong, China reported a significant seizure in 2012 involving 900 kg.

On 14 April 2012, Hong Kong, China Customs officers made an interception at Man Kam To land border of 900 kg of liquid GBL on board a lorry travelling from China to Hong Kong, China. The drug was supposed to travel onward to Malaysia by sea.

Norway, Switzerland and Estonia were the countries to report the largest number of seizures involving GBL in Europe. They were also the main countries of final destination of this product.

The Netherlands, Poland and Russia appeared as departure countries in the main routings. We note that postal and express mail were the preferred mode of transport for this drug, followed by overland transport.



*Seizure of 319 grammes of ecstasy concealed in a packet of crisps. Serbian Customs carried out this seizure in a tourist bus travelling from Amsterdam (Netherlands) to Sofia (Bulgaria)*

*Photo courtesy of Serbian Customs.*

# SPECIAL ITEMS (OPERATIONS, PROJECTS)



## Operation Westerlies

At the March 2012 session of the WCO Enforcement Committee (EC), Japan Customs proposed carrying out an inter-regional enforcement operation. The proposed operation, codenamed Operation WESTERLIES, was subsequently endorsed. In collaboration with the WCO Secretariat, Japan Customs prepared an elaborate Operational Plan for Operation WESTERLIES setting out all the requisite details. Two “train-the-trainer” workshops were later held, sponsored by the Customs Co-operation Fund (CCF) Japan.

After six months of preparations, the Operation was officially carried out over a 10-day period, from 16 to 25 November 2012.

Operation WESTERLIES was essentially aimed at strengthening measures to combat trafficking in methamphetamine, as well as in other drugs and contraband, by air passengers travelling from Africa and bound for Asia, transiting Europe.

Two “train-the-trainer” workshops were held to ensure that the administrations taking part in the Operation were fully prepared:

- From 23 to 27 July 2012 in Kashiwa (Japan)
- From 15 to 19 October 2012 in Ouagadougou (Burkina Faso)

The workshops offered an opportunity for the participating adminis-



*Seizure of 47.4 kilos of cocaine on 17.11.2012 (during Operation Westerlies) by Polish Customs at Warsaw International Airport. The drugs originated directly from the Dominican Republic*

*Photo courtesy of Polish Customs.*

trations' frontline officers to make face-to-face contact with the WCO Secretariat staff tasked with co-ordinating the Operation. The latter particularly helped the frontline officers with analysing threats and emerging trends in terms of drug trafficking, with risk analysis and risk indicators, with profiling and targeting of passengers, with sharing of information and intelligence, as well as with the use of the CENcomm by means of data entry, issuing warnings and information sharing



*Seizure of 5.3 kilos of methamphetamines on 4.11.2012 (during Operation Westerlies) by Ghana Customs at Accra International Airport. Routing of the courier: Ghana-United Arab Emirates-Singapore*

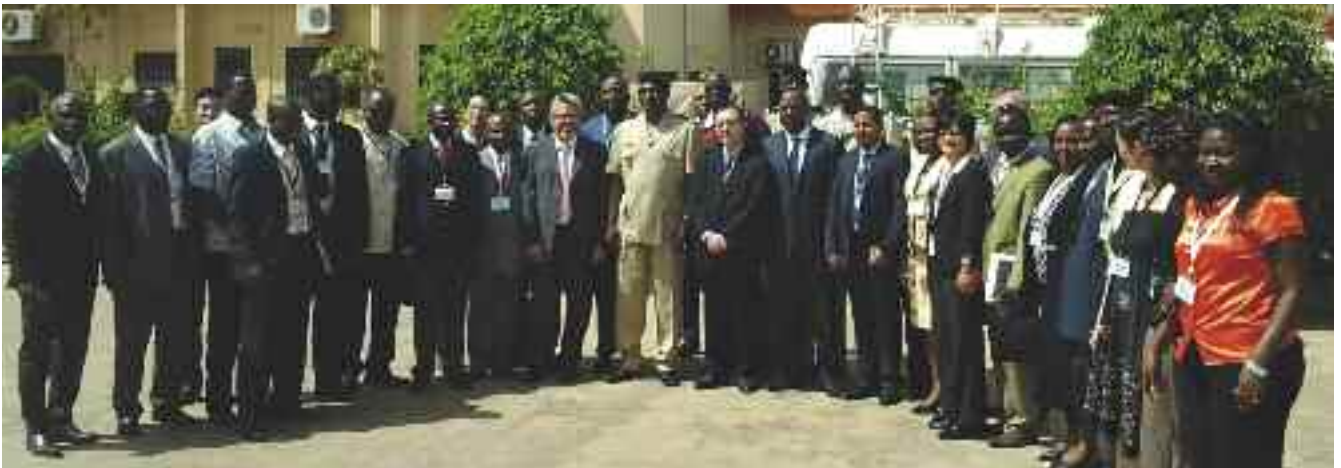
*Photo courtesy of Ghana Customs.*





« Operation Westerlies »  
Workshop in Kashiwa (Japan) attended by 45 delegates from various Customs Administrations

Photos courtesy of Japanese Customs.



« Operation Westerlies »  
Group photo of the workshop in Ouagadougou, Burkina Faso

Photos courtesy of Burkina Faso Customs.



Following the « Train the Trainer » workshop in Ouagadougou (Burkina-Faso) a national training session for officers from external services was organised - photo of Congo Customs at Kinshasa N'djili Airport

Photos courtesy of Customs Democratic Republic of the Congo.



WCO Secretary General, Mr. Kunio Mikuriya (first from the left) visited the OCU (Operational Co-ordination Unit)

once the Operation began. The participating officers also benefitted from an effective platform for networking with their counterparts prior to the Operation and this was expected to facilitate subsequent communication. The officers having participated in the workshops were expected to pass on their know-how and techniques to other officers on the ground, by conducting "in-house" training within their respective administrations.

An Operational Coordination Unit (OCU) was set up for the duration of the Operation. The OCU's composition ensured balanced participation by the WCO's regions, with representatives of Cape Verde, Ghana, Japan, Mali, the RILO for West Africa (Senegal), the RILO for Central Africa (Cameroon) and the WCO Secretariat. The OCU fulfilled its role in accordance with the Operational Plan, particularly in the following areas: (1) facilitating information exchange at inter-regional level via the CENcomm, (2) disseminating warning and information messages, (3) assuming the central role of co-ordination between Customs administrations, (4) monitoring and, if necessary, amending the seizure reports, and (5) issuing an up-to-date operational status report, Newsletters and a Final Report.

After 10 days of joint efforts, the results of the Operation could be quantified as follows: the arrest of 37 persons, with total seizures of 575 kg and 39,434 tablets from a range of narcotics seizures, 122.52 kg and 189 items of CITES goods, and currency amounting, respectively, to € 617,400 and USD 2,630,676.

Through this Operation, 82 participating administrations, 9 RILOs and INTERPOL pooled their efforts over a 10-day period to step up controls aimed at combating drug trafficking and organized crime at inter-regional level. Through the capacity building sessions held Kashiwa and Ouagadougou, as well as the actions taken during the actual Operation, WESTERLIES strengthened communication between the different Customs administrations in the fight against transnational narcotics smuggling. It also heightened awareness of the proliferation of narcotics smuggling on a transnational scale. It is fair to say that the Operation achieved its objectives, both from a quantitative and a qualitative perspective.

## Total quantité de drogue saisie

Catégorie	Kg	Tablets
CANNABIS - herbal, including Chanvre Indien	357.07	
COCAINE - cocaine	62.85	80
PSY DRUGS - methamphetamine	53.66	4,200
CANNABIS - other	35.10	
PSY DRUGS - amphetamine	27.44	51
Ephedrine	13.00	
KHAT - khat	12.00	
OPIATES - heroin	10.43	
COCAINE - cocaine solution	3.66	
CANNABIS - resin	0.01	
PSY DRUGS - methadone		34,844
Human Medecine		20
OPIATES - other		239
<b>Total</b>	<b>575.22</b>	<b>39,434</b>

Operation WESTERLIES concluded with encouraging results. It serves as an example of seamless co-operation within the international Customs family, as well as of first-rate collaboration between Customs and Police officers. The Operation bears out the fact that smuggling of methamphetamine from Africa to Asia remains a present threat. There is a need to ensure long-term and sustainable capacity building in this area. Customs in these regions must stay alert to this smuggling trend. Looking ahead, enforcement actions at inter-regional level should continue to be conducted at optimal frequency.

Operation "WESTERLIES 2" has already been scheduled to take place in the second half of 2013. The March 2013 session of the EC supported the proposal made by the Customs Administration of Japan and invited Members to participate actively in this process.



Seizure of 6.63 kilos of heroin on 21.11.2012 (during Operation Westerlies) by Cameroon Customs at Douala International Airport. Routing of the courier: Burundi-Nigeria-Kenya- Cameroon

Photo courtesy of Cameroon Customs.



## Operation SKY-NET

The diversity of transportation vectors and the growth of multimodal transport of licit trade, which are advantages of the globalization of trade, also provide criminal organizations with opportunities to sell their dangerous products by making opportunistic use of these legal channels for the movement of goods.

Over the past decade, Customs administrations have, on their own, been waging a daily and relentless war against organized crime with excellent results. In parallel, the WCO, either on its own initiative or at Members' request, has organized a number of actions to that end, carried out as heightened controls in one or more parts of the world, and with INTERPOL's assistance in many cases. The aim is to combat illegal trafficking in drugs and other illicit products at the international level and, in this way, to bolster co-operation not only between the different Customs authorities, but also between them and other partner law enforcement agencies.

However, given that the production in and trafficking of drugs and psychotropic substances is continually on the rise, Customs administrations are now being constantly challenged to counter this illicit trade which is proliferating in all transportation vectors.

It is against this backdrop that at the last session of the Enforcement Committee (EC), from 26 to 30 March 2012, the Customs Administration of China stated its intention to carry out a global operation, in conjunction with the WCO Secretariat, to combat illicit drugs and chemical substances being transported by post and express carrier.

The EC was in favour of implementing the Operation, and subsequently garnered the voluntary commitment of some fifteen countries as well as potential support from INTERPOL.

The Operation was codenamed SKY-NET.

The focal point of the Operation was a Virtual Operational Co-ordination Unit (VOCU) located at WCO headquarters in Brussels, Belgium. This made it possible to manage the Operation end-to-end.

The VOCU commenced operations on 12 August 2012 for the start of the test phase and remained active until 6 p.m. on 28 October 2012 (end of the operational phase).

It then manned the monitoring unit that took over from the VOCU for a week in order to be able to inform all the participants, where applicable, of any important occurrences during that period.

### Evaluation of the Operation

From 10 September to 28 October 2012, the operational phase of SKY-NET, the Customs services of sixty-seven (67) participating countries, putting into practice their expertise in terms of product recognition, risk analysis, targeting and selection, joined forces to share and exchange information and intelligence, with first-rate co-operation provided by INTERPOL, producing ever more results throughout the Operation.

This Operation proved a high point of intense information sharing activities between Customs administrations, the RILOs and INTERPOL, contributing to the success of SKY-NET. The WCO Secretariat co-ordinated the full range of activities through its secure communication tool, the **CENcomm**.

### Summary of results

#### *Drug seizures :*

- Two thousand and five (2,005) kg of khat;
- Nine hundred and forty (940) kg of cannabis (herbal and resin);
- One hundred and eighty-eight (188) kg of opiates (heroin, opium);
- One hundred and sixty-seven (167) kg of cocaine.

#### *Seizures of precursor chemicals:*

- Two thousand nine hundred and twenty-eight (2,928) kg of precursor chemicals (including alpha-phenylacetoacetonitrile (APAAN), pseudoephedrine and ephedrine).

#### *Seizures of psychotropic substances:*

- Two thousand nine hundred and seventy-nine (2,979) kg of psychotropic substances (methamphetamine, amphetamine, methaqualone, MDMA, etc.).

#### *Seizures of anabolic products:*

- Over one hundred thousand (100,000) ampoules as well as two hundred and thirty-nine (239) kg of anabolic steroids.

The total weight of products seized amounts to approximately nine thousand five hundred (9,500) tonnes of various illicit goods which have now been taken out of circulation.

### The main objectives sought were achieved

The highly positive results noted confirm that the objectives set out in the Terms of Reference for Operation SKY-NET were generally achieved. The very large quantities of products intercepted during this pilot Operation, over and above the success and satisfaction which were immediately perceptible, fully met the objectives specified at the beginning of the Operation and which included the following:

Identify consignments of postal or express items that could potentially contain drugs or precursors

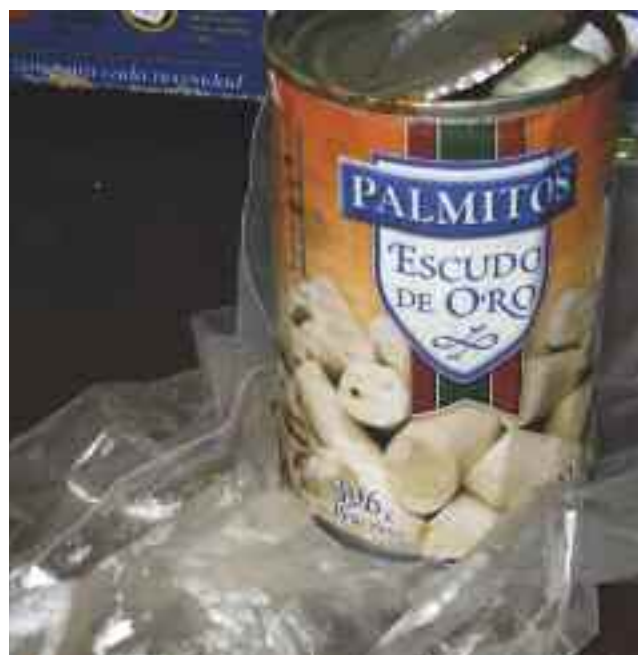
The international dimension of the mobilization of participating Customs administrations (67) for over one hundred and twenty (120) CENcomm users ensured swift and effective goods inspections, with the establishment of a secure WCO tool for transmitting information and intelligence. This tool made it possible to circumvent the problems raised by the requirement for the rapid movement of mail and express carrier shipments through the Customs cordon, and by their





Seizure of 600 grammes of cocaine on 5.10.2012 at the Express Mail Distribution Centre in Valencia by Spanish Customs (during Operation Sky-Net). The drugs were concealed in garments

Photo courtesy of Spanish Customs.



*Seizure of 450 grammes of cocaine on 18.10.2012 at the Madrid Express Mail Distribution Centre by Spanish Customs (during Operation Sky-Net). The drugs were concealed in tins of palm hearts in a food parcel*

*Photos courtesy of Spanish Customs.*

lack of consignor and consignee information. As a result, several postal or express carrier items were identified with outstanding results involving over 940 interceptions of items containing drugs, precursor chemicals and other prohibited substances.

Carry out heightened controls on these consignments and seize drugs at the main points of airport entry, Customs clearance centres and the main points of intermediate reloading for consignments of postal items or express items.

The countries taking part set up heightened controls on all items deemed sensitive, without hindering licit trade. This measure related to control areas falling within Customs administrations' competence, at import, in transit and at export (in the mail and express freight channels). Some Customs administrations took advantage of this mobilization to extend the scope of application to other channels, especially land, sea and air. On average, nineteen (19) seizures of prohibited substances were entered in the CENcomm on a daily basis.



Gather information on the status of drug and precursor trafficking via postal and express items intercepted (routes taken, type of consignor and consignee, type of goods and declared value, places of concealment, etc.).

This objective was largely achieved with the amount of information contained in the seizure messages collected in the CENcomm, compiled in the various weekly newsletters that accompanied the Operation, and supplemented by the analysis presented.

Promote co-operation and information exchange between Customs services on this phenomenon in the countries involved – Make use of WCO and INTERPOL expertise and logistical resources.

In addition to several thousand messages exchanged via the secure “Outlook”-style messaging system on the CENcomm platform, over one hundred and fifty (150) Warning Messages and Feedback Messages were shared during the Operation thanks to this secure and encrypted WCO communication tool. Warning Messages sharing suspicions about items also resulted in positive inspections, followed by controlled deliveries carried out by Customs services, which is a first for operations initiated or co-ordinated by the WCO Secretariat.

In point of fact, Belgian Customs issued a Warning Message for Irish Customs, relating to a suspicious parcel consigned in China, in transit via Belgium and bound for Ireland. Suspicions were focused on the consignor who was known to Belgian Customs officers for having committed multiple offences.

The Irish Customs Authorities intercepted the consignee after approximately 8 kg of mephedrone, pyrovalerone and flephedrone were found in a parcel at Cork Airport. The house search conducted in the wake of this interception resulted in the discovery of some 13 kg of prohibited substances currently under analysis, as well as another parcel from the same consignor containing 4 kg of a powder resembling the one being analysed. A review of documents found at the house also provided information on potential shipments to a number of countries including the United Kingdom, Germany, Poland, Romania, Hungary and New Zealand. The discovery of 13 kg of drugs at the scene supported this theory.

This case highlighted the fact that a criminal organization is using a route starting in China with Ireland as a “transit country” for shipping drugs throughout the world via postal or express mail channels.

Information sharing between Customs administrations and the use of the WCO’s secure communication tool, the CENcomm, led to the successful completion of this and many other operations.

Operation “SKY-NET 2” has been scheduled to take place in 2014 or 2015. The March 2013 session of the EC supported the proposal made by the Customs Administration of China and invited Members to participate.



*« Container Control » Programme : 5 seizures of chemical precursors (4 consignments imported from Turkey, Indonesia, Mexico and China and 1 consignment in transit from Malaysia to China) representing a total of 101,100 kg et 46,656 litres*

*Photos courtesy of the PCU in Puerto Quetzal « Guatemala ».*

## The Container Control Programme

At the present time, international supply chain security, public health and safety, trade facilitation and compliance, simplification of procedures and co-ordinated border management are key global trade issues for States and stakeholders. Efficient and cost-effective law enforcement systems and practices – one of the foundations of national security – make it possible to recover lost revenue and create a favourable investment climate, ultimately leading to a safe environment and a prosperous economy. This is especially true of maritime container traffic, as containers are the world’s most widely used mode of cargo transportation.

International organizations face a number of problems: not only the growth of containerized trade, but also technology-enabled crime and international trafficking groups increasingly using maritime trans-

portation to deliver drugs, counterfeit products, firearms, hazardous material and various other prohibited goods to global markets. That is why international organizations are pooling their efforts with national administrations and legitimate traders to offer a made-to-measure global solution entailing national empowerment and capacity building. The aim is to manage the constant challenge of minimizing the risks of containerized shipments being exploited and used for illicit drug trafficking, terrorism, transnational organized crime and other forms of fraudulent activity.

In 2003, the United Nations Office on Drugs and Crime (UNODC) and the World Customs Organization (WCO) initiated the Container Control Programme (CCP) – a comprehensive approach to the global threat. It rests on several pillars built and enhanced by the UNODC and the WCO in accordance with the existing legal framework of international instruments and programmes. One of the key elements of the CCP is the concept of national ownership and empowerment which makes it possible for law enforcement agencies in one country to overcome issues of competitiveness and a lack of co-ordination and to pool their efforts and resources to produce multi-faceted risk analyses, profiling and investigations as part of an approach intended to “dismantle a criminal network”.

Successful capacity building in the enforcement area in a number of countries within a region is proving to be a strong foundation for effective regional and international co-operation and networking, as illustrated by the CCP seizure data.

### Implementation

Since the actual start-up of the CCP in March 2006 in the four pilot countries of Ecuador, Ghana, Pakistan and Senegal, the Programme has expanded globally to 41 countries with operational Port Control Units in 17 countries including, in 2012, Georgia (Poti), Guyana (Georgetown), Jamaica (Kingston and Montego Bay), Paraguay (Asunción) and Suriname (Paramaribo). In 2012, various CCP-related activities were pursued in Azerbaijan, Guatemala, Mali, Morocco and Ukraine and initiated in Albania (Durrës) and Montenegro (Bar). The CCP has evolved to include dry ports in several countries where such ports are crucial hubs for regional trade.



« Container Control » Programme . Seizure by Pakistan of 479 50kg bags of poppy seed in a container sent from Karachi to Chittagong, Bangladesh. Weight of the poppy seed seized: 23.9 tonnes (March 2012)

Photo courtesy of the ANF in Pakistan.

### OPERATIONAL PORT CONTROL UNITS (PCUs)

Country	Operational PCUs
Afghanistan (Islamic Republic of)	Kabul
Benin	Cotonou
Cape Verde	Porto Praia (Santiago), Porto Palmeira (Sal), Porto Grande (Sao Vicente)
Costa Rica	San José
Ecuador	Guayaquil; Puerto Bolívar
Georgia	Poti
Ghana	Port Tema; Takoradi
Guatemala	Puerto Quetzal; Puerto Barrios (covers Puerto Santa Tomas de Castillo)
Guyana	Georgetown
Jamaica	Kingston; Montego Bay
Pakistan	Karachi; Port Qasim; dry ports - Faisalabad; Lahore; Sambrial; Torkham; Sust; Multan
Panama	Balboa; Manzanillo (Colon); Almirante
Paraguay	Asunción
Senegal	Dakar
Suriname	Paramaribo
Togo	Lomé
Turkmenistan	Ashgabat; Turkmenbashi

### Categories of all CCP seizures - 2012

Category	Cases	Containers	Quantity (kg)
Cocaine	52	52	11,471
Heroin	7	6	382
Cannabis	3	3	17,171
Precursor chemicals	20	27	433,970
Copyright infringement	42	42	n/a
Other contraband including cigarettes, CITES, cultural heritage, currency and cases of commercial fraud	63	100	n/a





« Container Control » Programme: Seizure of 329 kg of cocaine in hollowed-out wood, destination – Italy (August 2012)

Photos courtesy of the PCU in Asunción « Paraguay ».



## Project AIRCOP

As a general rule, trade is built on a permanent pairing, namely the availability of a product and the need to consume it. However, the way trade performs is dependent on being able to control two variables, those being the time and cost of delivering the product to the areas of consumption. Drug trafficking is not immune to this obvious fact. Cocaine, which is mainly produced in South America, is greatly valued and consumed in Europe. It was successfully transported by sea and/or air for a long time.

However, in the late 1990s the multitude of seizures made by law enforcement agencies in European countries forced those behind this trade to alter the route used. As a result, the West Africa Region and, to a lesser extent, Central Africa became transit zones for cocaine from South America to Europe in the early 2000s. This fact is largely borne out by various trend analysis reports produced by organizations specialized in combating drug trafficking (UNODC, WCO, INTERPOL, etc.). Somewhat conveniently, transit via African countries also offers the advantage of circumventing certain targeting criteria linked in particular to the place of consignment, as well as of enjoying reduced controls at export which have long remained non-priority in Africa.

As a result, faced with the emerging threat linked to this new cocaine route, the European Union has agreed to build the capacities of West and Central African countries, considered by analysts as one of the weak links in supply chain security. In agreement with the governments of these African countries, a co-operation project covering the air sector (AIRCOP) has been set up, managed by the United Nations Office on Drugs and Crime (UNODC), with the assistance of INTERPOL and the WCO.

Project AIRCOP is aimed at implementing a secure communication system between the airports in the chosen countries, essentially to combat cocaine smuggling in a more effective manner, as well as to fight organized crime in general.

The methodological approach entails setting up, within the selected airports, joint units comprising officers from various national law enforcement structures to create an international network of targeting

teams to monitor traffic by air using the WCO communication system (the CENcomm) and by consulting INTERPOL's databases (I-24/7). These units are called Joint Airport Interdiction Task Forces (JAITFs). The Memorandum establishing the Project was signed between each participating country and the UNODC.

The first JAITF was set up in May 2011 in Cape Verde and installed in Praia airport. It is made up of officers from the Judicial Police, Customs and the Coastguard. This was followed by the Senegal JAITF comprising officers from the Police, Customs and the Gendarmerie, installed in Dakar airport and established in June 2011. The Mali JAITF was the third of its kind and was set up in Bamako airport in November 2011, comprising Customs and Police officers. The most recently established JAITF was Togo, made up of Police, Customs and Gendarmerie officers and set up at Lomé airport in 2012. A total of four (4) JAITFs have been set up and are functioning normally, with the exception of Mali which is not currently operational given the situation in that country.

By way of summary, several African airports are in the Project implementation phase and some are even in the finalization phase (Benin, Côte d'Ivoire, Guinea, Cameroon, Gambia and Ghana). South America, where the cocaine originates, is also in the exploration phase and countries are considering taking part in the Project. At the same time, Europe, a destination zone for drugs, is preparing to complete the network with several airports that will be selected to that end (**for connection to the Project AIRCOP version of the CENcomm**). An invitation letter was sent to European countries in February 2013.

Several countries have already responded positively to this proposal and have been included in the mechanism, those being the **Russian Federation, Spain, Portugal, Bulgaria, Ireland, Iceland, Latvia, Lithuania and Sweden**. A total of over twenty (20) countries is forecast by the end of the first half of 2013.

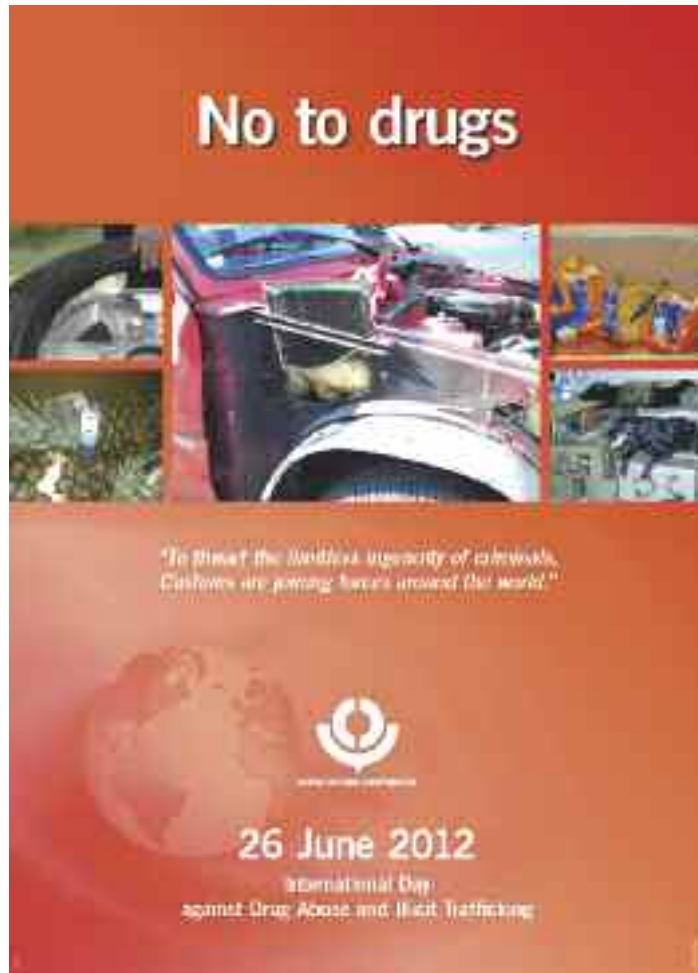
The source of these JAITFs' legitimacy is inter-ministerial orders signed jointly by the authorities of the ministerial departments responsible for combating organized crime at national level. This regulatory framework co-ordinates the running of the JAITF and commits the signatory country to supply it with staff and premises.

The partner organizations (UNODC, WCO and INTERPOL) have overall responsibility, in their respective areas of competence, for staff training as well as for the provision of equipment (drug detection equipment, communication tools and databases).

The WCO, which is responsible for running the CENcomm, will endeavour to ensure co-ordination between the different structures involved, and will do so in close collaboration with our partner INTERPOL, taking account of the access policy for the Project AIRCOP version of the CENcomm, the terms and conditions of which are defined by a competent body.

**26 June 2012**

## **“International Day against Drug Abuse and Illicit Trafficking”**



On 26 June 2012, International Day against Drug Abuse and Illicit Trafficking, the World Customs Organization called on its 177 Members all over the world to demonstrate once again that the Customs community as a whole is mobilized to combat this scourge in solidarity with other organizations forming part of the United Nations System.

By resolution 42/112 of 7 December 1987, the United Nations General Assembly decided to observe 26 June as the International Day against Drug Abuse and Illicit Trafficking as an expression of its determination to strengthen action and co-operation to achieve the goal of an international society free of drug abuse.

Marking this day with the slogan "Together against drugs" provides an opportunity for the WCO to recall the significant role of Customs, which is responsible for more than half of all drug seizures worldwide.

"The fight against drugs concerns everyone," said WCO Secretary General, Kunio Mikuriya. "It is our duty to prevent illicit trafficking in narcotics, thereby reducing the vulnerability of those most exposed to this threat," he added.

"Governments have a responsibility to counteract both drug trafficking and drug abuse," said United Nations Secretary-General, Ban Ki-Moon. "[...] but communities can also make a major contribution," he added.

As part of its drug enforcement programme, the WCO works closely with the United Nations Office on Drugs and Crime (UNODC), and actively supports initiatives aimed at raising public awareness of the drugs problem.

The WCO is counting on the active participation of its Members to combat illicit drug trafficking as part of Customs' commitment to protect consumer health and safety while dealing effectively with criminals involved in this illicit and dangerous trade.

This is in keeping with the recent Sessions of the WCO Council which focused on securing the global supply chain and stopping illicit trade among other topical issues.

The Secretariat produced an information and promotional poster to mark the event that was made freely available to Members for download from the WCO website.



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# IPR

# PROGRAMME

## (Intellectual Property Rights)

*IPR offences now affect everything that is manufactured and has a commercial value, touching all sectors from horticulture to the auto industry to pharmaceuticals. Nowadays, the means of production used by counterfeiters are equivalent to those employed in the licit product market, and are based on the latest technology. The counterfeiters adopt an industrial approach, enabling them to improve both the quality and the quantity of counterfeit goods.*



# INTRODUCTION



919,500 pieces of counterfeit accessories

Photo courtesy of Uruguay Customs.

Customs administrations play an important and legitimate role, by providing an effective line of defence against the risk of intellectual property rights violations. By promoting licit trade, they will contribute to the prosperity of their countries' economies and protect the public against inferior-quality goods, which are so often dangerous.

As international supply chains become increasingly complex and trade volumes continue to increase, the WCO Members Customs administrations have been facing challenges in combating this significant risk.

These challenges are:

- awareness of consumers;
- capacity of Customs officers on the ground;
- cooperation with the private sector;
- cooperation with other agencies;
- legal system;
- increased use of the Internet;
- Free Trade Zones; and
- political support.

These challenges are intertwined with one another. Without appropriate legislative back up, Customs cannot act against the real situation, neither can rights holders. Without the political will to address the situation, nothing is going to happen. Even with the appropriate

legislation in place, without awareness on the issue amongst law enforcement officials and the proper training to enforce the legislation, without real interest by rights holders to act upon Customs' notification, and without collaboration amongst relevant agencies, the effectiveness of the framework for combating counterfeiting and piracy will not function properly. More fundamentally, without awareness and understanding of the consumers of the problem, the issue will not cease to exist.

In order for its Members to effectively address these intertwined challenges, the WCO IPR programme takes a multi-pronged approach and provides its Member Customs administrations with: extensive capacity-building activities and support tools to supplement these activities; opportunities to communicate and to share experiences; and national initiatives between Customs administrations, with rights holders, as well as with other government and non-government stakeholders.

One of the core elements of the WCO IPR programme is regional/international operational exercises. The main objectives of these operations are not only to train Customs officials but also to enhance their capacity to undertake risk analysis and to detect new fraud vectors that will help Customs' to place resources in those areas identified as highest risk. This analysis will assist in quantifying and qualifying the scope of the fraud phenomena in the participating countries and thereby the region where the operation/s takes place. This last ob-



23,113 kg of counterfeit ball bearings

Photo courtesy of Czech Customs

jective is particularly important in raising awareness at all levels and in helping understand the seriousness of the situation in any country/region. (The results of the recent operational exercises will be explained in greater detail in the subsequent sections.)

Often as follow-up action to the operational exercises, diagnostic missions are carried out in requesting countries. These missions are designed to assess the whole anti-counterfeiting environment surrounding each administration, agree on identified gaps and provide options for the recipient countries to step-up their national framework in an endeavour to address the challenges caused by counterfeiting and piracy, fully in line with their countries anti-counterfeiting and piracy policy and objectives. These missions also enable the WCO to follow-up with tailor-made national training courses and seminars to assist and equip Customs officers with the appropriate levels of understanding of their national laws and regulations, risk analysis techniques for select high-risk cargoes and operational procedures and practices appropriate to their countries.

The level of development and modernisation differs from country to country, and thus capacity-building activities are uniquely tailored to meet individual countries' priorities and identified needs. The WCO is fully mindful that "one size does not fit all", and provides Members with a platform to share experiences, exchange views and learn from one another. The Counterfeiting and Piracy (CAP) Group has served this purpose since October 2009. These meetings allow Customs to

discuss a variety of issues surrounding counterfeiting and piracy, including capacity-building needs and the available WCO tools, national IP regime development, Customs roles in major international sports events, Internet sales and small consignments, and general awareness raising efforts. The CAP Group also serves as a venue to have dialogue with Customs' natural partners in this endeavour, i.e. rights holders, to strengthen partnerships, to identify issues and to find feasible options to tackle enforcement and other issues.

The WCO's research unit is involved in helping Members to learn from others' experiences. At the request of members an Information Repository of Legislation on Border Measures for Counterfeiting and Piracy has been created. It contains a compilation of national legislation dedicated to border measures and other relevant information. It was specifically created to assist those Members who wanted to learn from other countries' experiences on how to implement the requirements of the TRIPS Agreement into national legislation. The repository also benefits the WCO experts engaged in capacity building, enabling them to view and understand customs-related national legislation and practices in this area, serving as a convenient reference tool for effective capacity building. The 2012 edition of the Repository consists of (1) the legislation list covering 109 Member Customs, (2) 18 flow charts on border enforcement procedures, (3) 5 case studies on specific items, (4) the list of central units for 55 Members, and (5) the list of contact points for the private sector for 54 Member Customs.



Counterfeit chainsaws found in a van

Photo courtesy of Czech Customs.

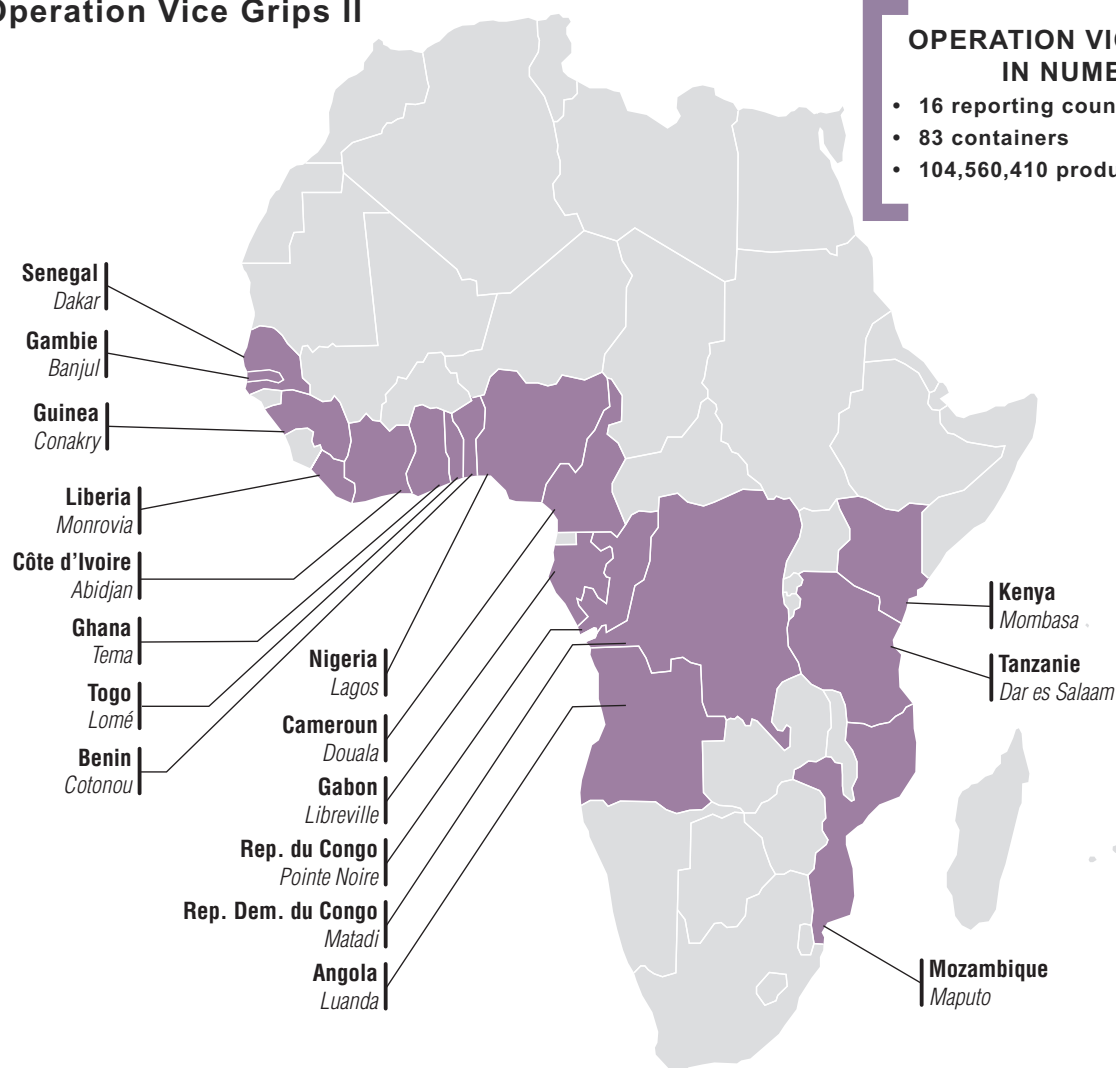
The WCO's Customs Enforcement Network (CEN) continues to be an extremely useful platform to connect Customs and other law enforcement agencies allowing them to share and exchange information on seizures to help identify new trends and patterns and detect new fraud techniques. The information and intelligence exchanged also assists in carrying out sophisticated risk analysis of illicit cross-border trade. In accordance with the evolving challenges, the CEN application itself is also evolving and has been upgraded to facilitate the input of quality IP-related data by Member Customs administrations through a number of quality check features. This will result in enhanced accuracy of the data used for risk analysis by all user agencies. (An overview and analysis of seizure data on IPR infringement provided by Members to the CEN database will be explained later in this chapter.)

The latest and the most innovative response from the WCO to the need for enhanced partnerships between Customs and the private sector is the development and implementation of Interface Public Members (IPM). IPM is a global anti-counterfeiting tool that enables rights holders to communicate operational data concerning their products to frontline Customs officers, who can effectively communicate with rights holders to clarify the suspicion they have on the goods they are examining in real time. It also works as a continuous online product identification training tool for Customs officers with up-to-date information. IPM is now an integral part of the WCO's capacity building, particularly during anti-counterfeiting operations, in participating countries. (The latest development on IPM will be fully explained in another section.)



# OPERATIONS

## Operation Vice Grips II



### Summary

Sixteen countries from the western central and east and southern African regions joined forces for a one-week period from 16 to 20 July in the largest WCO-led operation to date. Simultaneous inspections were carried out across sixteen major maritime ports: Abidjan, Conakry, Cotonou, Dakar, Dar es Salaam, Douala, Lagos, Libreville, Lomé, Luanda, Maputo, Matadi, Mombasa, Monrovia, Pointe Noire and Tema.

The aims of these WCO-led operations are two-fold: to be a driving force in the reinforcement of capacities in the area of IPR and to strengthen the potential of the different actors in the fight against counterfeiting and piracy. The WCO employs a dual approach strategy, embodying both theoretical and practical training techniques in order to equip Customs officers with all of the resources necessary to better combat counterfeiting and piracy. Operation Vice Grips II had one unique specificity: a focus on pharmaceutical products which pose a real and direct threat to the health and safety of consumers.

### Workshop

The week-long operational exercise was preceded by a three-day workshop which took place in Lomé, Togo. This workshop was tailor-

made to accommodate the needs and requirements of the Customs administrations represented at the workshop within a framework designed to aid them in facing the double burden of ensuring trade facilitation whilst simultaneously working to protect the health and safety of consumers against the trade in fake products. The curriculum took into account the unique position of the sixteen Customs administrations represented, almost the entirety of the central African region was involved in this operation, as illustrated by the map. Right holders, both local and international, representing a variety of brands and covering all industry sectors, were given the opportunity to train the Customs officers present on their brand specificities, thereby helping them to distinguish between genuine and counterfeit products.

The operation was oriented towards the quantification of the illicit pharmaceutical products which proliferate across the continent. Customs officers from the sixteen participating countries also benefited from the expertise and experience of the WCO-accredited Technical and Operational Advisors on IPR both during the workshop, where they learned about the latest trends in counterfeiting and piracy and risk analysis techniques, and during the operation that followed.

This operation facilitated a large-scale rollout of the IPM tool, an integral part of the WCO combating counterfeiting and piracy division. All sixteen countries were encouraged to use the tool in their daily work, and the results testify to its success.

### OCU

The Operational Control Unit was situated in Lomé, Togo in recognition of its strategic importance as a regional hub port and of the efforts demonstrated by Togolese Customs in working to counter these illicit trade flows.

### Results

Operation Vice Grips II yielded the largest results of any WCO-led operation to date. The vast quantities of illicit medicines uncovered serves as a stark reminder of the sheer scale of this dangerous phenomenon across the continent. 82 million doses of illicit medicines including, but not limited to, anti-malarial and anti-parasitic drugs, antibiotics, cough syrups and contraceptive pills were seized. For some right holders, the results encountered represented the largest seizures of counterfeit products of their brand.

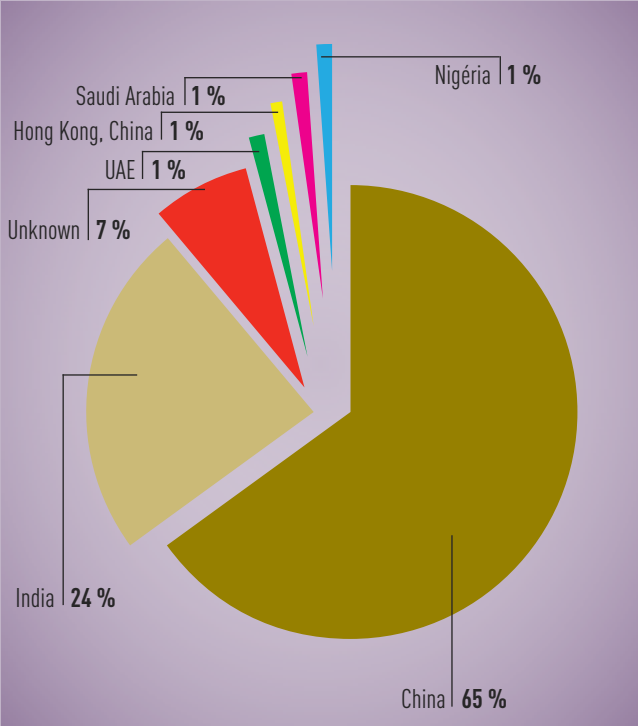
One seizure in particular attracted the attention of Customs, right holders and the media alike. The seizure took place in Luanda, Angola under the supervision of a WCO-accredited Technical and Operational Advisor.



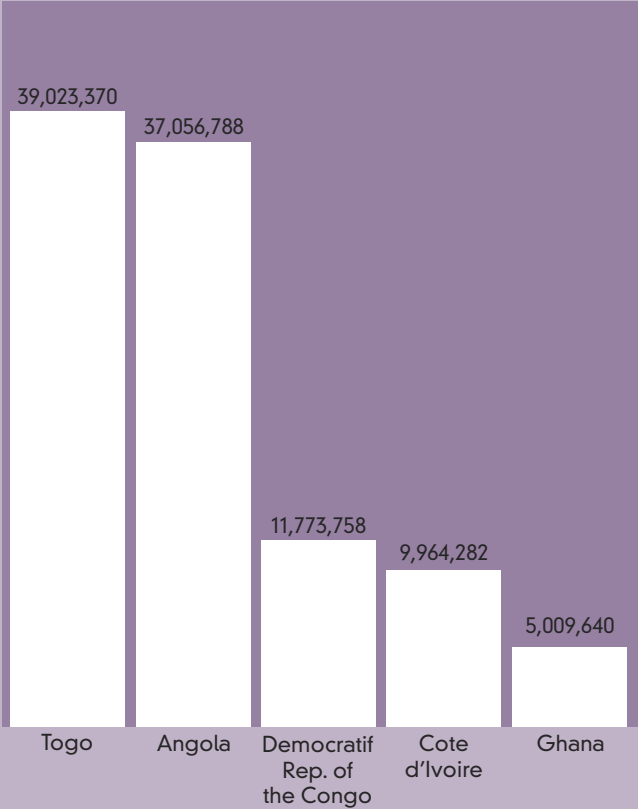
Counterfeit powdered milk intercepted by Djibouti Customs during Operation Eastern Gate in December 2012

Photo courtesy of Djibouti Custom.

### Departure Countries



### Units per Countries





Counterfeit medicines intercepted by Angola Customs during Operation Vice Grips II in July 2012. The medicines were concealed in speakers

Photo courtesy of Angola Customs.

#### WCO Technical and Operational Advisors on IPR

It is of the utmost importance to acknowledge the crucial role played by the WCO's Technical and Operational Advisors on IPR during Operation Vice Grips II. Ten such advisors were sent, after the seminar in Lomé, Togo, to their assigned country where their invaluable guidance, supervision and assistance led to the largest pharmaceutical seizures ever obtained. Their skills are highly sought after the world over, and the legacy and the impact which they leave behind can be of huge benefit to Customs administrations.

#### IPM

Operation Vice Grips II led to widespread deployment of the IPM tool across western and southern Africa. Participants in the operation noted the benefits of the tool, particularly as a permanent training tool which can endure after the departure of Technical and Operational Advisors and WCO representatives alike. All of the countries participating in the operation subsequently requested access, a fact which testifies to its importance as an operational tool.

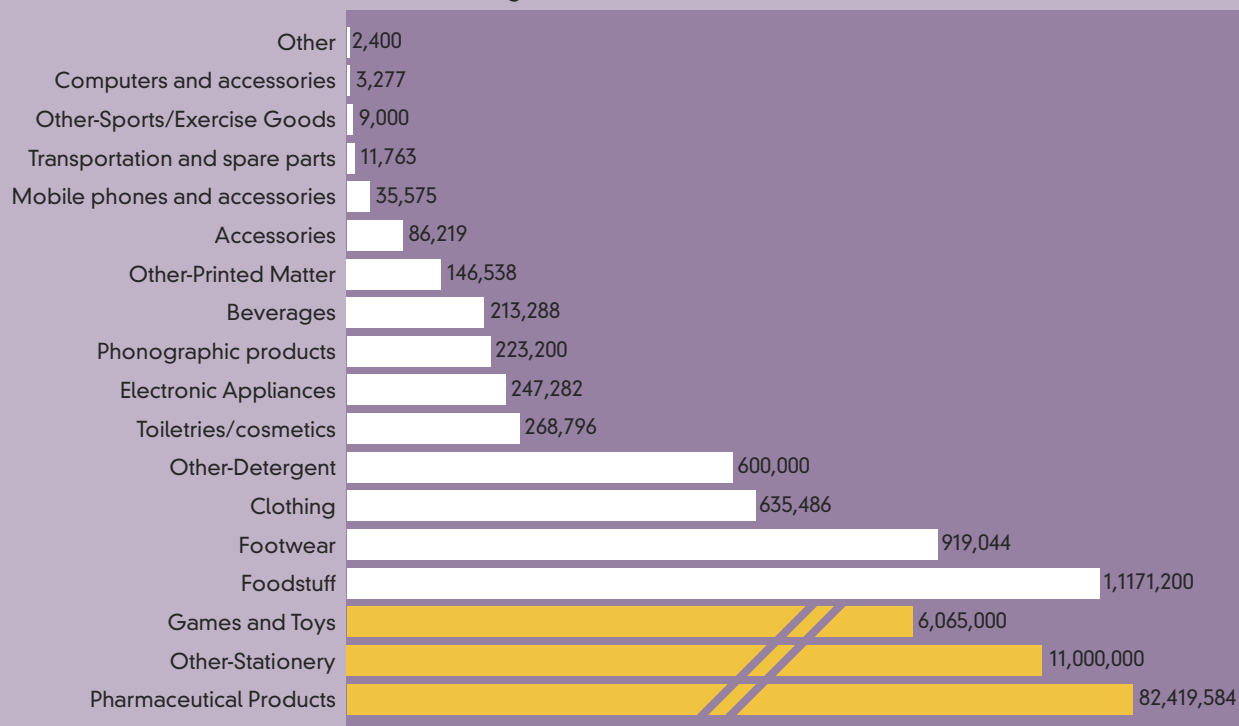
#### Seizure in Angola: Testimony by Angolan Customs

"The Angola National Customs Service, held in July 2012, led the seizure of Vermox, Clomid, Clamoxyl, Postinor 2 and various other medical products.

These medicines are from the People's Republic of China and were imported without compliance with the requirements for this purpose, because they were hidden inside speakers (undeclared, poorly packaged) and its process did not have import authorisation from the Ministry of Health.

Immediately, the National Service forwarded details of the case to the National Directorate of Inspection and Investigation of Activities, which ordered the destruction of the medicines."

#### Products catégories - number of seizures





# Operation Eastern Gate

## Summary

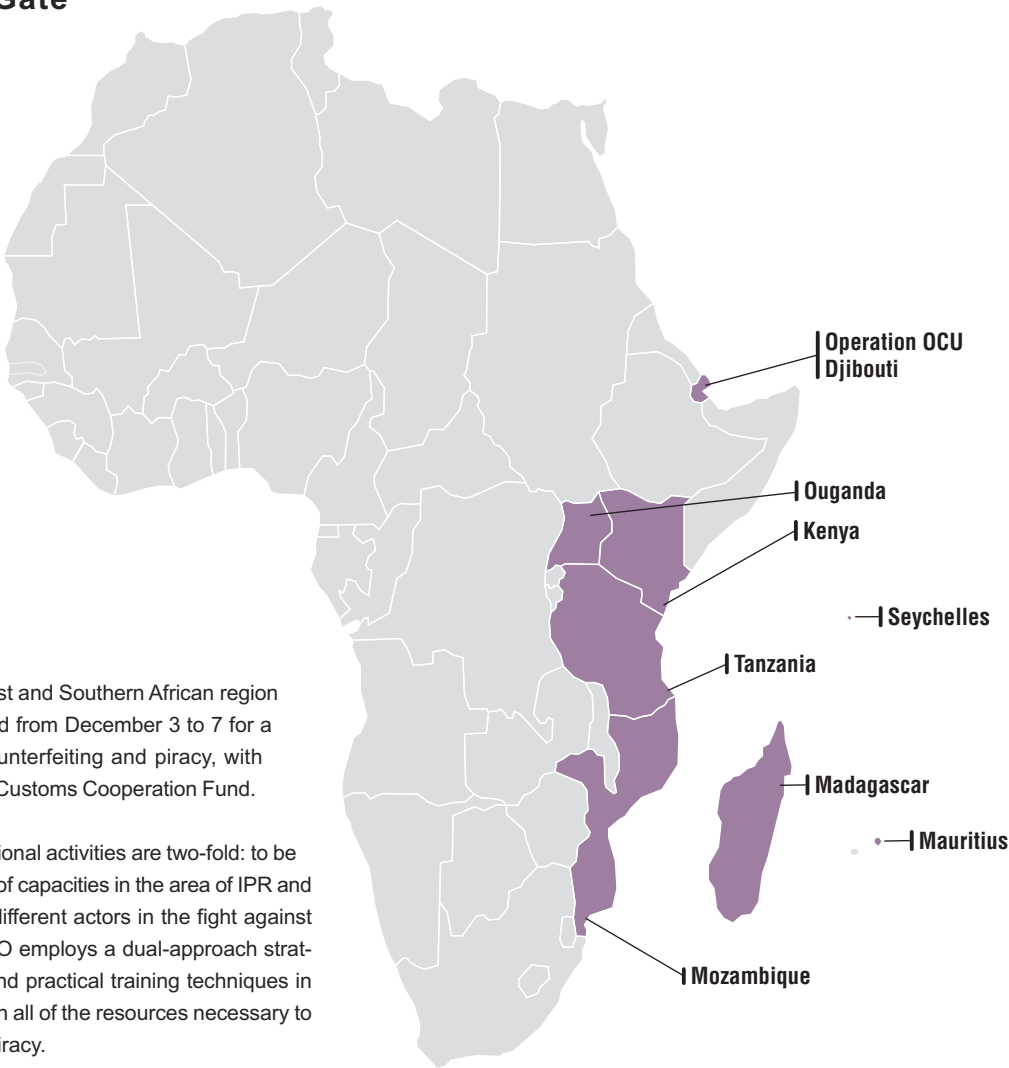
Eight countries from across the East and Southern African region joined forces for a one-week period from December 3 to 7 for a WCO-led operation to combat counterfeiting and piracy, with funding provided by the Japanese Customs Cooperation Fund.

The aims of these WCO-led operational activities are two-fold: to be a driving force in the reinforcement of capacities in the area of IPR and to strengthen the potential of the different actors in the fight against counterfeiting and piracy. The WCO employs a dual-approach strategy, embodying both theoretical and practical training techniques in order to equip Customs officers with all of the resources necessary to better combat counterfeiting and piracy.

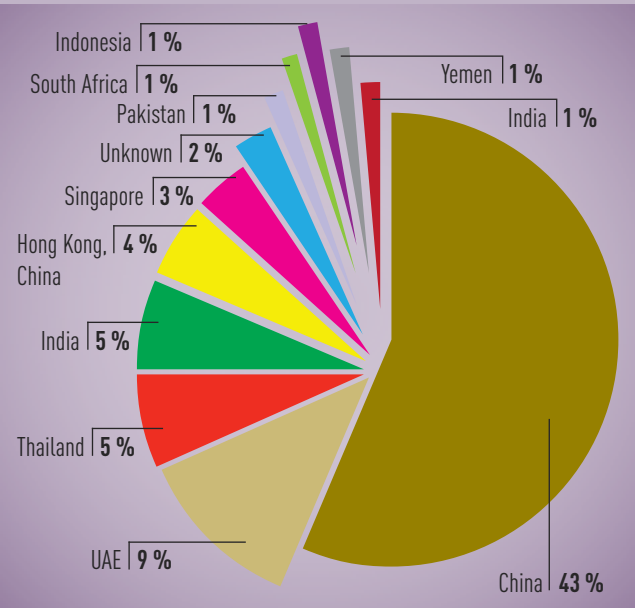
## Workshop

The week-long operational exercise was preceded by a three-day workshop which took place in Djibouti city, Djibouti. This workshop was tailor-made to accommodate the needs and requirements of the Customs administrations represented at the workshop within a framework designed to aid them in facing the double burden of ensuring trade facilitation whilst simultaneously working to protect the health and safety of consumers against the trade of fake products. The curriculum took into account the unique position of the eight Customs administrations represented, each situated in Eastern and Southern Africa and most serving as a gateway into Central and sub-Saharan Africa. Right holders, both local and international, representing a variety of brands and covering all industry sectors, were given the opportunity to train the Customs officers present on their brand specificities, thereby helping them to distinguish between genuine and counterfeit products. Customs officers from the eight participating countries also benefited from the expertise and experience of the WCO-accredited Technical and Operational Advisors on IPR both during the workshop, where they learned about the latest trends in counterfeiting and piracy and risk analysis techniques, and during the operational exercise that followed.

As always, IPM was demonstrated during the workshop and the utility of the tool was demonstrated to Customs officials during a practical



## Departure countries





Counterfeit shirts intercepted by Djibouti Customs during Operation Eastern Gate in December 2012

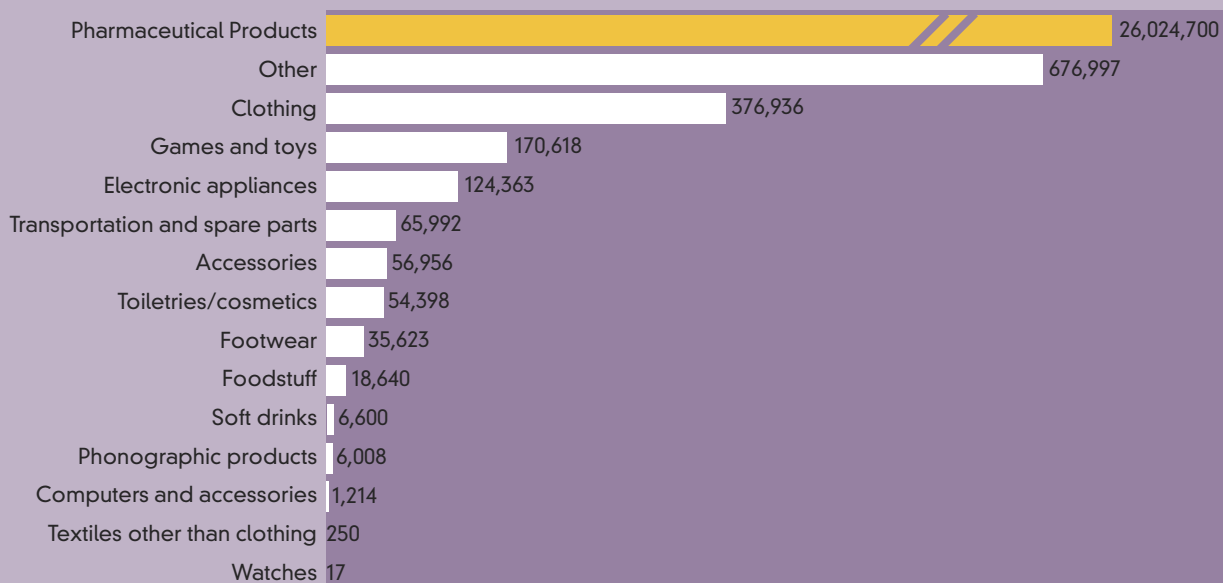
Photo courtesy of Djibouti Customs.

exercise where all of the information, images, holograms and videos presented by right holders during the workshop were immediately visible. Customs officials were then furnished with passwords and usernames and trained in usage of the tool to ensure that IPM would complement their work during the operational week ahead.

#### OCU

Djibouti Customs were gracious hosts and agreed to provide a venue for the WCO delegation during the operational phase. The OCU was inundated with calls, e-mails and queries from the seven participating countries, demonstrating the need and utility for these operational exercises.

#### products Categories - number of seizures





Counterfeit baby powder intercepted by Seychelles Customs during Operation Eastern Gate in December 2012

Photo courtesy of Djibouti Customs.

Djibouti was chosen for its unique and increasingly, strategic position. Cradled in the central part of the horn of Africa, Djibouti is an important hub in the region, and its two principal ports bridge both the Red Sea and the Indian Ocean.

### Results

As one of the chief objectives of this operational activity was to quantify and qualify the phenomenon of counterfeit and pirated products in the eastern and southern African region, the results garnered were analysed in detail and the figures illustrated below reflect the current reality faced by Customs administrations in this region. Pharmaceutical products, some of which were counterfeit and others which had no customs declaration were ranked first with a total of over twenty-six million units.

In total, almost twenty-eight million units of counterfeit, pirated or unauthorised goods were discovered in eight countries during a five-day period. The majority of products discovered during this operational activity in eastern and southern Africa; such as brake pads, foodstuffs and pharmaceutical products, pose a clear and imminent danger to the health and safety of consumers.

Almost 90% of containers of which the departure country is known originated in the Far East, south or Southeast Asia.

### WCO Technical and Operational Advisors on IPR

Seven WCO Technical and Operational Advisors on IPR were sent, after the workshop, to their country of assignment under the auspices of the Japanese Customs Cooperation Fund. All seven remarked upon the willingness of the Customs administrations to assist and support them in their daily work. The transfer of knowledge that these experts guarantee when travelling to their assigned countries, the technical and operational skills which they bring to the table can be of real benefit to Customs administrations and will yield tangible results in the years to come.

### IPM

IPM, Interface Public-Members, the WCO's anti-counterfeiting tool, was utilised throughout the duration of the Operation. All eight countries applied for access to the IPM tool after the operational exercise, an encouraging key performance indicator. Many positive identifications were made, thanks to the information contained within the tool. The e-learning facility available in IPM, developed shortly before Operation Eastern Gate, will help those officers connected to learn about the various identification features, routes and previous cases associated with a multitude of brands, thus facilitating a long-lasting and sustainable impact.



## New Features

The Interface Public-Members tool celebrated its second year in existence with the launch of a new mobile application in response to demands from both the private sector and WCO Member administrations.

- IPM version 2 was launched with great aplomb at the Global Congress on Combating Counterfeiting and Piracy in Istanbul, Turkey in April 2013. The long-awaited mobile version will continue to enable frontline Customs officers to distinguish between genuine and fake products as ever before, however, the new and improved version of IPM contains features which will further facilitate the work of a frontline officer.
- IPM has joined forces with various authentication providers to ensure that officers can obtain a supplementary level of verification. Once connected, officers can simply scan the industry standard GS1 barcode using a Wi-Fi or 3G-enabled phone and, if appropriate, their request for data will be rerouted to the relevant authentication providers.
- An important operational feature was added to the tool in the run-up to the WCO-led maritime operation Biyela. Customs officers can simply send a query, along with a photograph and description, directly to the right holder. This new feature operates in a reciprocal manner; right holders can also directly issue Customs officers in their country of choice with alerts on shipments and potential counterfeit or pirated goods.

## Figures

The numbers of countries, users and right holders connected to the tool has grown exponentially over a one-year period. Projected figures

suggest a hike in numbers in the next twelve months commensurate with these new developments.

To-date, some 53 WCO Member administrations have officially requested access to the tool and are employing it as a complement to their daily work.

More than 600 brands are currently visible in the system, covering a wide-range of industry sectors from fast-moving consumer goods to pharmaceutical products to luxury items.

For further information, please consult the IPM section of the WCO website.



*Counterfeit medicines intercepted during Operation Vice Grips II in July 2012*

*Photo courtesy of Togo Customs.*



*Counterfeit auto spare parts intercepted during Operation Eastern Gate in December 2012*

*Photo courtesy of Tanzania Customs.*



# IPR DATA FOR 2012

## Introduction

This section provides an overview of the global situation concerning counterfeiting and piracy from various perspectives, including cases and quantity by country, counterfeit goods by category and by brand, departure/ destination countries, directions (importation, exportation, transit, etc.) and seizure location types.

The data used in this section is based on the contributions from 58 Member Customs administrations that provided their data into the Customs Enforcement Network (CEN) or provided raw data to the Secretariat via a spreadsheet. Out of these contributions, 56,239 cases (over two years, 2011-2012), amounting to 211 million pieces and 33 million kg are used for data analysis (ditto).

As a general rule, the CEN database considers one case as one seizure/detention on one occasion. Therefore, one case may include multiple lines of commodities.

Various units (e.g. piece, unit, pair, kg, litre, drum, carton, box, set, etc.) are used to report the quantity of the seized/detained goods. For the convenience of the analysis, these units have been converted into (1) pieces and (2) kg, following the rules as specified in the Annex to this section. For tobacco products, 1 packet of cigarettes (= 20 sticks) is counted as 1 piece, or for cigars, 1 cigar is counted as 1 piece in this report. Details for calculating units for tobacco products are also explained in the same Annex.

The CEN database is constantly being updated. The figures in the present report may therefore be different from those taken into account in previous reports and are subject to checking and constant review.

## Reporting agencies

Analysis only takes account of cases where Customs services were involved, which includes not only seizures/detentions by Customs but also joint cases by Customs and other law enforcement agencies (e.g. Police) regarding importation, exportation, in transit, in the marketplace, or in the context of an investigation into organised crime. Information for the year 2011 has also been taken into account, for the purposes of comparison and to help identify any major variations or developments.

In 2012, nearly 90 % of all the cases were made and reported by Customs administrations and approximately 10 % are the result of the joint efforts by Customs and other enforcement agencies, such as the police, the army, border guards and anti-counterfeiting agencies. In terms of quantity, joint efforts account for about 4 % of all the cases.

## Reporting countries

The United States is the country that reported the most cases in 2012 (7,615 cases). This is followed by Germany, Saudi Arabia, Italy and Spain. 15 countries from the top of the list account for more than 92 % of all the reported cases.

### TOP 15 Countries in terms of the number of reported cases

Country	2011	% in total	2012	% in total
United States	9,683	35.7%	7,615	34.0%
Germany	1,964	7.2%	2,602	11.6%
Saudi Arabia	1,649	6.1%	2,377	10.6%
Italy	3,395	12.5%	1,721	7.7%
Spain	583	2.1%	1,300	5.8%
Japan	1,451	5.3%	1,147	5.1%
France	2,009	7.4%	1,080	4.8%
Denmark	1,267	4.7%	1,013	4.5%
Yemen	130	0.5%	300	1.3%
Czech Republic	285	1.1%	289	1.3%
Hungary	324	1.2%	276	1.2%
Poland	299	1.1%	264	1.2%
Bulgaria	47	0.2%	247	1.1%
Ireland	275	1.0%	236	1.1%
Russian Federation	484	1.8%	233	1.0%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	

Saudi Arabia reported the largest quantity of items (in pieces: 25.5 million or 36.5 % of aggregate quantity), then the United States (10.4 million, 14.9 %), Chile (7.0 million, 10.0 %), Italy (5.4 million, 7.7 %) and Argentina (2.5 million, 3.6 %). The top 15 countries reported 90.5 % of the total global quantity (in pieces).

### TOP 15 countries in terms of the quantity of seized/detained commodities (pieces)

Country	2011	% in total	2012	% in total
Saudi Arabia	18,372,628	13.0%	25,538,376	36.5%
United States	17,670,035	12.5%	10,423,046	14.9%
Chile		0.0%	6,971,854	10.0%
Italy	38,962,274	27.6%	5,371,118	7.7%
Argentina	153,611	0.1%	2,516,859	3.6%
Jordan	17,034	0.0%	1,671,090	2.4%
Yemen	434,063	0.3%	1,647,168	2.4%
Kuwait	1,340,898	1.0%	1,443,384	2.1%
France	6,680,996	4.7%	1,330,285	1.9%
Spain	3,831,841	2.7%	1,191,629	1.7%
Germany	1,564,116	1.1%	1,125,386	1.6%
Mexico	6,003,111	4.3%	1,092,223	1.6%
Morocco	2,729,965	1.9%	1,018,482	1.5%
Hong Kong, China	2,444,526	1.7%	1,010,815	1.4%
Hungary	1,047,553	0.7%	979,756	1.4%
<b>Total</b>	<b>141,134,145</b>		<b>69,967,582</b>	

The term country in this section refers to the WCO Member Customs administration responsible for the jurisdiction within one independent Customs territory, rather than a sovereign territory.



Counterfeit sports shoes

Photo courtesy of Albanian Customs.

## Commodities

The cases involving commodities belonging to the accessories category are the most frequently reported in 2012 (3,531 cases or 15.8 %). This is followed by clothing (3,303 cases, 14.8 %), pharmaceutical products (2,287 cases, 10.2 %), mobile phones and accessories (2,125 cases, 9.5 %) and other (e.g. labels, packaging, batteries, etc.) (1,902 cases, 7.9 %). It is noteworthy that despite the fact that the total number of reported cases declined, cases related to health and safety (pharmaceutical products, transportation and spare parts, foodstuffs) increased in terms of the number of cases.

## Reported cases by commodity category

Commodity category	2011	% in total	2012	% in total
Accessories	4,463	16.45%	3,531	15.76%
Clothing	4,095	15.10%	3,303	14.75%
Pharmaceutical products	2,161	7.97%	2,287	10.21%
Mobile phones and accessories	2,249	8.29%	2,125	9.49%
Other	1,902	7.01%	1,779	7.94%
Electronic appliances	1,851	6.82%	1,700	7.59%
Phonographic products	1,795	6.62%	1,335	5.96%
Toiletries/cosmetics	1,481	5.46%	1,302	5.81%
Watches	2,636	9.72%	1,297	5.79%
Footwear	1,613	5.95%	964	4.30%
Computers and accessories	1,131	4.17%	794	3.54%
Games and toys	935	3.45%	767	3.42%
Transportation and spare parts	334	1.23%	453	2.02%
Textiles other than clothin (towels, bed sheets etc.)	166	0.61%	327	1.46%
Foodstuff	179	0.66%	291	1.30%
Spare parts	62	0.23%	106	0.47%
Cigarettes	10	0.04%	15	0.07%
Alcoholic beverages	5	0.02%	2	0.01%



In terms of the quantity of seized/detained items (in pieces), commodities under "other" category (e.g. batteries, printed matter, labels and stationary) are on top of the list (17 million pieces, 25.3 %),

followed by clothing (12.1 million pieces, 17.3 %) , accessories (6.7 million pieces, 9.6 %), pharmaceutical products (4.1 million pieces, 5.9 %), and textiles (4.1 million, 5.9 %).

#### Quantity of seized/detained commodities by commodity category

Commodity category	2011	% in total	2012	% in total
Other	19,326,350	13.7%	17,722,180	25.3%
Clothing	13,667,414	9.7%	12,090,266	17.3%
Accessories	37,134,097	26.3%	6,712,922	9.6%
Pharmaceutical products	27,156,694	19.2%	4,140,318	5.9%
Textiles other than clothing (towels, bed sheets etc.)	875,417	0.6%	4,106,207	5.9%
Phonographic products	2,676,882	1.9%	3,929,684	5.6%
Transportation and spare parts	1,383,478	1.0%	3,808,871	5.4%
Games and toys	5,150,043	3.6%	3,505,486	5.0%
Electronic appliances	3,889,924	2.8%	3,423,896	4.9%
Toiletries/cosmetics	6,951,853	4.9%	3,268,255	4.7%
Footwear	4,705,960	3.3%	2,352,318	3.4%
Mobile phones and accessories	7,132,112	5.1%	1,736,595	2.5%
Foodstuff	3,362,831	2.4%	1,316,034	1.9%
Computers and accessories	3,168,445	2.2%	848,578	1.2%
Watches	767,838	0.5%	602,911	0.9%
Spare parts	240,399	0.2%	311,919	0.4%
Cigarettes	3,321,494	2.4%	47,322	0.1%
Alcoholic beverages	108,979	0.1%	24,041	0.0%
<b>Total</b>	<b>141,134,145</b>		<b>69,967,582</b>	

The top 5 reported values (retail price in US dollars) of commodities are: accessories (426.7 million USD or 29.0 %), watches (391.1 million USD, 26.6 %), electronic appliances (170.4 million USD, 11.6 %), other goods (e.g. printed matter, stationary and labels) (121.5 million USD, 8.3 %) and clothing (111.5 million USD, 7.6 %). Bearing in mind

the fact that pricing for different commodities varies among different countries, and that for certain cases, inadequate price information was provided, the statistics regarding values throughout this section must be interpreted with caution.

#### Value of seized/detained commodity by commodity category

Commodity category	2011	% in total	2012	% in total
Accessories	713,196,266	38.5%	426,677,500	29.0%
Watches	225,449,844	12.2%	391,136,132	26.6%
Electronic appliances	61,431,943	3.3%	170,355,748	11.6%
Other	65,856,650	3.6%	121,548,149	8.3%
Clothing	207,335,481	11.2%	111,511,445	7.6%
Footwear	229,248,595	12.4%	69,881,973	4.7%
Toiletries/cosmetics	71,220,930	3.8%	60,318,717	4.1%
Games and toys	21,875,957	1.2%	22,649,732	1.5%
Mobile phones and accessories	116,535,305	6.3%	21,293,090	1.4%
Transportation and spare parts	31,404,954	1.7%	19,201,756	1.3%
Pharmaceutical products	22,384,035	1.2%	14,405,404	1.0%
Computers and accessories	45,550,281	2.5%	11,493,152	0.8%
Spare parts	3,123,060	0.2%	8,685,522	0.6%
Textiles other than clothing (towels, bed sheets etc.)	12,639,217	0.7%	8,653,485	0.6%
Foodstuff	9,478,539	0.5%	6,924,247	0.5%
Phonographic products	8,327,570	0.4%	6,483,568	0.4%
Cigarettes	6,441,822	0.3%	214,095	0.0%
Alcoholic beverages	184,008	0.0%	118,340	0.0%
<b>Total</b>	<b>1,852,532,351</b>		<b>1,471,563,350</b>	

## Brands

In 2012, Members reported nearly 980 brands having been counterfeited. In 597 cases, different types of items and brands were mixed together in one shipment.

In terms of number of cases, Cialis is reported as most frequently counterfeited (1,604 cases, 7.2 %, erectile dysfunction treatment), followed by Apple (826 cases, 3.7 %, in mobile phones and computers and accessories), Nike (580 cases, 2.6 %, clothing and footwear), Louis Vuitton (530 cases, 2.4 %, mainly in accessories) and Adidas (491 cases, 2.1 %, mainly in clothing, footwear and watches).

### TOP counterfeited brands by number of cases

Brands	2011	% in total	2012	% in total
Cialis	1,233	4.55%	1,604	7.16%
Apple	930	3.43%	826	3.69%
Nike	683	2.52%	580	2.59%
Louis Vuitton	810	2.99%	530	2.37%
Adidas	417	1.54%	491	2.19%
Viagra	603	2.22%	332	1.48%
Gucci	273	1.01%	324	1.45%
Hello Kitty	444	1.64%	321	1.43%
MAC	553	2.04%	319	1.42%
Chanel	389	1.43%	313	1.40%
Walt Disney	386	1.42%	247	1.10%
Burberry	302	1.11%	240	1.07%
Rolex	1,352	4.98%	207	0.92%
Nokia	417	1.54%	203	0.91%
Casio	166	0.61%	190	0.85%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	



Counterfeit potato chips intercepted during Operation Vice Grips II in July 2012

Photo courtesy of Ghana Customs.

In terms of quantity, Tianqiu (batteries) is on top of the list and 6.3 million pieces, or 7.2 % (this is owing to one huge seizure in Chile), were reported in 2012. The remaining brands in the top 5 list are TRENITALIA (2 million pieces, 2.9 %, one large seizure in Italy for counterfeit train tickets), Viagra (1.8 million pieces, 2.5 %), Walt Disney (1.5 million pieces, 2.1 %, mainly in accessories, games and toys and phonographic products) and Lacoste (884 thousand pieces, 1.3 % in clothing and toiletries).

### TOP counterfeited brands by quantity (pieces)

Brands	2011	% in total	2012	% in total
Tianqiu		0.00 %	6.340.000	9.06 %
Trenitalia		0.00 %	2.030.000	2.90 %
Viagra	743.465	0.53 %	1.751.088	2.50 %
Walt Disney	1.116.794	0.79 %	1.500.119	2.14 %
Lacoste	137.017	0.10 %	884.028	1.26 %
Chanel	368.038	0.26 %	680.433	0.97 %
Apple	385.283	0.27 %	569.821	0.81 %
Adidas	800.012	0.57 %	547.249	0.78 %
Norma		0.00 %	539.904	0.77 %
Colgate	14.516	0.01 %	482.472	0.69 %
Nike	5.874.621	4.16 %	462.062	0.66 %
Coca-Cola		0.00 %	450.438	0.64 %
Louis Vuitton	713.021	0.51 %	430.378	0.62 %
Ray Ban	99.239	0.07 %	421.919	0.60 %
Natural Max Slimming		0.00 %	399.900	0.57 %
<b>Total</b>	<b>141.134.145</b>		<b>69.967.582</b>	

In terms of the value of the product, Rolex comes highest on the list (289.1 million US dollars, 19.7 %), followed by Sony (126.6 million USD, 8.6 %), Evoke (120 million USD, 8.2 % for sunglasses), Louis Vuitton (99.4 million USD, 6.8 %) and Ray Ban (64 million USD, 4.4 % for sunglasses).

### TOP counterfeited brands in USD

Brands	2011	% in total	2012	% in total
Rolex	33,682,962	1.82%	289,099,675	19.65%
Sony	18,357,149	0.99%	126,559,381	8.60%
EVOKE		0.00%	120,000,000	8.15%
Louis Vuitton	136,324,897	7.36%	99,370,439	6.75%
Ray Ban	6,530,568	0.35%	64,384,130	4.38%
TRENITALIA		0.00%	37,923,672	2.58%
Gucci	15,577,662	0.84%	34,954,633	2.38%
Hermes	19,327,326	1.04%	21,358,594	1.45%
Burberry	48,927,446	2.64%	21,057,772	1.43%
D&G	8,140,560	0.44%	20,460,495	1.39%
Adidas	28,799,185	1.55%	18,382,370	1.25%
Giorgio Armani	11,328,968	0.61%	14,729,840	1.00%
Rado	323,720	0.02%	14,418,863	0.98%
Nike	469,367,124	25.34%	13,633,072	0.93%
Hugo Boss	4,648,616	0.25%	13,543,866	0.92%
<b>Total</b>	<b>1,852,532,351</b>		<b>1,471,563,350</b>	

## Departure

The information on departure countries is reported as unknown for 785 out of 22,398 cases, but 130 countries were indicated as the countries of departure. 43.5 % or 9,735 cases out of all the cases were reported as departed from China. This is followed by Hong Kong, China (5,303 cases or 23.7 %), India (670 cases or 3 %), Turkey (546 cases, 2.4 %), and Australia (502 cases, 2.2 %).

### Departure countries by number of cases

Country	2011	% in total	2012	% in total
China	13,317	49.1%	9,735	43.5%
Hong Kong, China	6,195	22.8%	5,303	23.7%
India	1,147	4.2%	670	3.0%
Turkey	311	1.1%	546	2.4%
Australia	46	0.2%	502	2.2%
Morocco	90	0.3%	450	2.0%
UAE	230	0.8%	430	1.9%
Chile	147	0.5%	429	1.9%
Greece	226	0.8%	384	1.7%
Egypt	134	0.5%	237	1.1%
Thailand	408	1.5%	228	1.0%
United States	234	0.9%	228	1.0%
Germany	32	0.1%	218	1.0%
Singapore	532	2.0%	211	0.9%
Hungary	77	0.3%	193	0.9%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	

### Departure countries by quantity of seized/detained commodity

Country	2011	% in total	2012	% in total
China	63,631,789	45.1%	41,161,278	58.8%
UAE	24,425,245	17.3%	5,237,593	7.5%
Hong Kong, China	9,529,145	6.8%	3,172,602	4.5%
India	2,007,374	1.4%	2,435,416	3.5%
Bolivia	412	0.0%	1,870,630	2.7%
Indonesia	157,742	0.1%	1,851,248	2.6%
Vietnam	57,550	0.0%	1,583,263	2.3%
Turkey	864,405	0.6%	1,265,863	1.8%
Egypt	546,421	0.4%	882,199	1.3%
Uruguay		0.0%	496,183	0.7%
Hungary	781,248	0.6%	462,752	0.7%
Democratic People's Republic of Korea	77,348	0.1%	451,185	0.6%
Saudi Arabia	19,700	0.0%	417,926	0.6%
Chile	132,430	0.1%	397,655	0.6%
United Kingdom	86,728	0.1%	387,150	0.6%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	

When we take into account the quantity (in pieces) of seized/detained items, 41.2 million pieces, or 58.8 %, departed from China, followed by the United Arab Emirates (UAE) (5.2 million pieces, 7.5 %), Hong Kong, China (3.2 million pieces, 4.5 %), India (2.4 million pieces, 3.5 %) and Bolivia (1.9 million pieces, 2.7 %).

It should be noted that "departure countries" do not necessarily mean "countries of origin", or where the goods were manufactured.

## Destination

118 countries were identified as destination countries of seized/detained items in 2012. The United States accounts for nearly 32 % (7,076 cases), followed by Saudi Arabia (10.6 %, 2,381 cases), Germany (9.7 %, 2,170 cases), Italy (6.9 %, 1,545 cases) and Spain (5.7 %, 1,283 cases).

### Destination countries by number of cases

Country	2011	% in total	2012	% in total
United States	9,078	33.5%	7,076	31.6%
Saudi Arabia	1,645	6.1%	2,381	10.6%
Germany	1,788	6.6%	2,170	9.7%
Italy	3,170	11.7%	1,545	6.9%
Spain	647	2.4%	1,283	5.7%
Japan	1,456	5.4%	1,149	5.1%
Denmark	1,248	4.6%	1,007	4.5%
France	1,621	6.0%	999	4.5%
Czech Republic	357	1.3%	401	1.8%
Poland	403	1.5%	310	1.4%
Hungary	320	1.2%	305	1.4%
Yemen	130	0.5%	296	1.3%
Mexico	778	2.9%	270	1.2%
Russian Federation	517	1.9%	248	1.1%
Ireland	284	1.0%	237	1.1%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	

In terms of quantity (in pieces), Saudi Arabia is on top of the list (25.6 million pieces, or 36.5 %), followed by the United States (9.7 million pieces, 13.9 %), Chile (7.0 million pieces, 10.0 %), Italy (4.7 million pieces, 6.7 %), and Argentina (2.1 million pieces, 3.0 %).

### Destination countries by quantity of seized/detained commodity

Country	2011	% in total	2012	% in total
Saudi Arabia	18,370,995	13.0%	25,551,902	36.5%
United States	16,878,643	12.0%	9,739,129	13.9%
Chile	53,791	0.0%	6,983,833	10.0%
Italy	11,523,418	8.2%	4,694,119	6.7%
Argentina	150,942	0.1%	2,085,918	3.0%
Jordan	17,034	0.0%	1,786,990	2.6%
Yemen	434,063	0.3%	1,580,137	2.3%
Kuwait	1,340,898	1.0%	1,443,384	2.1%
Paraguay	80,775	0.1%	1,366,941	2.0%
Morocco	3,161,824	2.2%	1,232,200	1.8%
Mexico	5,461,343	3.9%	1,177,202	1.7%
Spain	1,562,993	1.1%	1,078,808	1.5%
Czech Republic	1,991,360	1.4%	1,043,157	1.5%
France	4,287,786	3.0%	977,179	1.4%
Hungary	999,940	0.7%	969,943	1.4%
<b>Total</b>	<b>141,134,145</b>		<b>69,967,582</b>	



## Directions

Of all the reported cases, seizure/detention at importation accounted for 87.5 % (19,608 cases). This is followed by interception of goods in transit (7.5 % or 1,688 cases), which was reported by 22 countries. 977 cases were reported as 'internal' by 19 countries, which is 4.4 % of all the cases. 89.0 % of internal cases were handled by the top five countries that reported internal cases, namely France, Hungary, Poland, Czech Republic and the US. 12 countries reported 125 seizure/detention cases at export (0.6 % of all the reported cases), which includes the United States (51 cases), Saudi Arabia (17 cases), Hungary (14 cases), Hong Kong, China (11 cases) and Germany (7 cases).

### Direction by number of cases

Direction	2011	% in total	2012	% in total
Export	277	1.0%	125	0.6%
Import	23,685	87.3%	19,608	87.5%
Internal	878	3.2%	977	4.4%
Transit	2,286	8.4%	1,688	7.5%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	

## Location of seizures/detentions

In 2012, seizures/detentions at mail centres continue to be on top, with 48.8 % of all the reported cases (10,921 cases), followed by 5,075 cases (22.7 %) at seaports, 3,562 cases (15.9 %) at airports, 1,514 cases (6.8 %) inland and 888 cases (4.0 %) at land boundaries.

### Seizure/detention location by number of cases

Location	2011	% in total	2012	% in total
Airport	4,691	17.3%	3,562	15.9%
Border of free trade zone	58	0.2%	30	0.1%
High seas	1	0.0%		0.0%
Inland	2,118	7.8%	1,514	6.8%
Land boundary	789	2.9%	888	4.0%
Mail Centre	13,435	49.5%	10,921	48.8%
Other - Specify	89	0.3%	38	0.2%
Rail	151	0.6%	231	1.0%
River	3	0.0%	2	0.0%
Seaport	5,581	20.6%	5,075	22.7%
Unknown	211	0.8%	137	0.6%
<b>Total</b>	<b>27,127</b>		<b>22,398</b>	



Counterfeit summer slippers

Photo courtesy of Albanian Customs.

# UNIT CONVERSION RULES

In the original data, various units (e.g. piece, unit, pair, kg, litre, drum, carton, box, set, etc.) are used to report the quantity of seized/detained goods. For the convenience of the analysis, these units have been converted into (1) pieces and (2) kg in accordance with the following rules.

## (1) Pieces :

- 1 pair, set (of gloves, earrings, footwear, socks, jeans, etc.) = 1 piece
- 1 tablet (of pharmaceutical products) = 1 piece
- 1 blister (of pharmaceutical products (e.g. Viagra)) = 4 tablets = 4 pieces
- Square metres (of textile products) = 1 piece, no matter what the size
- 1 bottle (of perfume and other toiletries) = 1 piece
- 1 box, carton, container, etc. =
  - a) Take the average price of similar goods in the same country (if not applicable, the regional average and if not, the global average) in the same year per piece in US dollars (e.g. 10 USD per piece for commodity A).
  - b) Calculate the price of the item in question per unit (e.g. 1,000 USD per box of commodity A).
  - c) Divide the value calculated in b) by a) and obtain the estimated quantity of the item (e.g. 1,000 divided by 10 = 100 pieces).
  - d) If the figure calculated in a) is smaller than the figure in the original unit, then take the original unit as a piece.
- For the conversion of liquids (litres), the following rules apply:
  - a) If perfume, 100 ml = 1 bottle = 1 piece. 1 litre = 10 pieces of perfume.
  - b) If shampoo, 200 ml = 1 bottle = 1 piece. 1 litre = 5 pieces of shampoo.
  - c) If soft drinks, 500 ml = 1 bottle = 1 piece. 1 litre = 2 pieces of soft drinks.
  - d) If spirits or wine, 750ml = 1 bottle = 1 piece. 1 litre = 1.33 pieces of spirits.
  - e) If ethyl alcohol or motor oil, 1 litre = 1 bottle = 1 piece.
  - f) If refrigerant for a car, 350ml = 1 bottle = 1 piece.
- 1 packet (of tobacco products) = 20 sticks (in pieces as reported) = 1 piece  
For tobacco products, the following rules apply:
  - a) Calculate value per piece (Tobacco is reported in pieces).
  - b) If the value calculated in a) is below 1 USD, it could be one stick of cigarette.
  - c) If the value a) is between 4-10 USD, 1 piece could be 1 packet (=20 sticks of cigarette).
  - d) If the value a) is around 80 USD, 1 piece would be 1 carton (=10 packets = 200 sticks).

## (2) Kg :

- 1 metric ton = 1000 kg
- 1 drum = 200 kg





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# ENVIRONMENT PROGRAMME

*Environmental crime is a significant and increasingly lucrative business and affects our societies in negative ways. The poaching and trafficking of endangered species affects the income of rural populations and has driven some species to the brink of extinction: deforestation caused by illegal logging is a major contributor to climate change; ozone depleting substances (ODS), in addition to contributing to climate change, destroy the ozone layer which can lead to the suppression of the human immune system resulting in skin cancer and cataracts; hazardous waste causes the long-term poisoning of soil and water which affects the health and living conditions of people.*

*Seizure by Sri Lankan Customs of 359 pieces of raw ivory tusks shipped from Kenya*

*Photo courtesy of Sri Lankan Customs.*

# INTRODUCTION

By its nature, environmental crime is trans-boundary and in many cases involves organised cross-border criminal syndicates. Globalisation has indirectly made it easier to transport harmful commodities across national boundaries: a tiger skin or an ivory tusk passes through many hands on its way from the poaching site to the final buyer; and a tree illegally sawn down can travel around the world before ending up as a piece of luxury furniture. In many cases, endangered species and tropical timber are shipped from less-developed countries to the developed world, whilst hazardous waste is exported from developed countries destined for the less-developed world.

Customs administrations play an essential role at the border in protecting the environment. Customs are charged with ensuring compliance with the trade-related provisions of multi-lateral environmental agreements (MEAs) and with national legislation. They are the first link in the “compliance and enforcement chain”, and without adequate capacity to prevent or detect illegal trade, the rest of the chain will be considerably less effective. They are most often the primary government agency responsible for monitoring the trade in certain environmentally sensitive commodities, collecting any duties and taxes applied to the export and import of goods, identifying and detecting fraud and other non-compliance, and helping to facilitate and raise awareness about this illegal trade to members of the public.

The WCO has long been involved in efforts to combat the illegal trade

in environmentally sensitive goods, with its Council – the Organization’s highest decision-making body – having adopted the “Recommendation of the Customs Co-operation Council Concerning Actions Against Cross-Border Environmental Offences” in June 2008. The “WCO Action Plan Combating Cross-Border Environmental Offences”, adopted by the 27th WCO Enforcement Committee in February 2008, calls for all WCO Members to continue their efforts to combat environmental crime and to ensure that the environment remains a priority issue for Customs across the globe.

Headings and sub-headings for environmentally sensitive commodities in the Harmonized System – the international goods nomenclature managed by the WCO – have also been amended to enable the most traded commodities to be identified and monitored. In addition, data elements for hazardous waste will be incorporated into Version 3 of the WCO Data Model to facilitate not only Customs in their control and identification of imported and exported hazardous waste but also to assist other responsible government agencies in their control measures. Modification of data elements associated with the identification of endangered species is also under consideration.

The WCO Customs Enforcement Network (CEN) has also been widely used for information exchange for border environmental enforcement. Seizures of endangered species and hazardous waste reported globally by Customs are stored in the CEN. Alerts, trend analysis, as

## Multi-lateral Environmental Agreements (MEAs)

Many environmentally sensitive goods are controlled under multi-lateral environmental agreements (MEAs) and other treaties. MEAs are agreements between several parties – that is, States or, in some cases, regional economic integration organisations such as the European Union – to pursue specific measures aimed at protecting the environment and conserving natural resources. This type of initiative is often brought about by worldwide concerns about the great and sometimes serious impacts of seem-

ingly harmless human activities on the earth’s fragile environment. When a MEA enters into force, the parties are bound by its provisions; indeed, compliance with the measures is mandatory. The effective monitoring and control of the trans-boundary movement of the environmentally sensitive goods is a key component of environmental protection and, in many cases, national security. The main MEAs with international trade-related provisions are the following:

- Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal

- Cartagena Protocol on Bio-safety
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Montreal Protocol on Substances that Deplete the Ozone Layer
- Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
- Stockholm Convention on Persistent Organic Pollutants

well as information from other organisations keep Customs officers around the world informed about emerging trends associated with illegal trafficking. In addition, WCO communication tool “ENVIRONET” is available for Customs officers involved in environmental enforcement to exchange real-time information, with the help of experts from international organisations and national competent authorities. Detailed risk indicators on endangered species, ozone depleting substances and hazardous waste developed by the WCO Secretariat support frontline Customs officers in their daily work.

At regional level, the network of WCO Regional Intelligence Liaison Offices (RILO) and Regional Offices for Capacity Building (ROCB) have been very active in environmental border protection activities by collecting and analysing seizure information, hosting training events, and participating in capacity-building initiatives.

The WCO Secretariat continues to work closely with other international organisations involved in environmental issues. This cooperation has been formalised through a series of Memoranda of Understanding with partners such as the CITES Secretariat, the Basel Convention Secretariat and UNEP, which maximises joint efforts in the fight against environmental crime.

Since 2001, the WCO has been an active partner in the Green Customs Initiatives (GCI), which is a series of collaborative activities

that include workshops, training material and joint actions by partner organisations aimed at raising the awareness of Customs officers to environmental issues.

Customs faces many challenges, but is committing significant tools and resources towards the fight against environmental crime at the border. In the following paragraphs, the WCO's efforts in the Environmental Programme according to different international conventions and agreements will be elaborated with some key areas of development and operations in 2012. While CEN is designed to be a platform for the global reporting of seizures of endangered species (CITES) and hazardous materials (i.e. Basel Convention), the available seizure statistics therein do not allow a comprehensive analysis of the seizures for a global trend. Hence, the analysis of seizure in this chapter will focus on certain key CITES species based on the contribution from RILO A/P.

## Green Customs Initiative (GCI)

The Green Customs Initiative is an unprecedented partnership of international organisations cooperating to prevent the illegal trade in environmentally sensitive commodities and facilitation of the legal trade in these. Its objective is to enhance the capacity of Customs and other relevant enforcement personnel to monitor and facilitate the legal trade and to detect and prevent illegal trade in environ-

mentally sensitive commodities covered by the relevant conventions and multi-lateral environmental agreements (MEAs). These include ozone depleting substances (ODS), toxic chemical products, hazardous wastes, endangered species and living-modified organisms. This is achieved through awareness-raising on all the relevant international agreements as well as the provision of assistance and tools to the enforcement community. Green Customs is designed to complement and enhance existing customs training efforts under the respective agreements.

The partners of the Green Customs Initiative comprise the secretariats of the relevant multi-lateral environmental agreements (Basel, Cartagena, CITES, Montreal, Rotterdam and Stockholm), INTERPOL, the Organisation for the Prohibition of Chemical Weapons, UNEP, the United Nations Office on Drugs and Crime (UNODC) and the World Customs Organization. The Green Customs Initiative also works closely with a number of other regional and international organisations<sup>1</sup>.

<sup>1</sup><http://www.greencustoms.org>



# BASEL CONVENTION (HAZARDOUS AND OTHER WASTES)



Container filled with 14,000 kg of used car parts stopped by Swedish Customs during Operation DEMETER II

*Photo courtesy of Swedish Customs.*

The Basel Convention regulates the trans-boundary movement of hazardous wastes and other wastes. The obligations and procedures of the convention apply whenever hazardous wastes and other wastes covered by the convention cross from one national jurisdiction to another, whether or not the wastes are being shipped as part of a commercial transaction or under a trading relationship. The Basel Convention was adopted in 1989, and it entered into force in 1992. Currently there are 180 parties to the Basel Convention.

Hazardous waste causes long-term poisoning of soil and water, affecting people's health and living conditions, sometimes irreversibly. Unscrupulous trading in waste has become an increasingly serious concern. Under the Basel Convention, parties have the right to prohibit the import of hazardous waste, and parties are prohibited from exporting hazardous waste without pre-consent from the importing countries. The Convention establishes a regulatory system that requires the prior informed consent of a state of import and a state of transit before wastes can be exported. An obligation of re-importation arises when an export has not complied with the convention.

## Operation DEMETER II

As the principal border agency, Customs administrations worldwide have been tasked with controlling trans-boundary movements of waste and combating illegal trafficking in waste. WCO has long been involved in efforts to combat the illegal trade in environmentally sensitive goods, including hazardous and other waste controlled by the Basel Convention. The WCO Action Plan for Combating Cross-Border Environmental Offences adopted in 2008 encourages Customs to organise or participate in joint operations against environment crime, and advise each other of potential trafficking. In 2009, the Customs Administrations of 65 countries were engaged in Operation DEMETER, targeting the illicit cross-border shipments of hazardous and other waste en route from Europe to countries in the Asia/Pacific and Africa.

Following the success of Operation DEMETER, the WCO organised a follow-up operation, named DEMETER II, in the period of 06 February - 11 March 2012. The Operation targeted maritime shipments (containers) with a view to identifying illegal shipments of hazardous and other waste controlled by the Basel Convention. The Operation was mounted with the support of the Secretariat of the Basel Convention (SBC), IMPEL (the EU Network for Implementation



*Waste batteries intercepted by Hong Kong Customs*

*Photo courtesy of Hong Kong Customs.*

and Enforcement of Environmental Law), INECE (International Network for Environmental Compliance and Enforcement) and INTERPOL.

The joint efforts of 77 Customs administrations in Africa, Asia/Pacific, Caribbean, Central and South America and Europe, including participating partners such as the national environmental agencies and the police, resulted in 64 seizures and detentions with over 2,385 tons and 5,416 pieces of waste. The seized and detained waste ranged from metal scrap, used vehicle parts and tyres, electrical and electronic equipment (e-waste), to paper and plastic waste. In terms of the number of cases, used vehicle parts took the lead with 26 reported incidents, followed by e-waste. In addition 256 used refrigerators containing chlorofluorocarbons (CFC, ozone depleting substance) were seized.

Most of the seizures and detentions took place in European countries followed by countries in Asia/Pacific and South America. The majority of the waste shipments originated in Europe and was destined either for Africa or Asia. 18 Members reported cases, namely Argentina, Brazil, Bulgaria, France, Guinea, Hong Kong (China), India, Italy, Mexico, Mozambique, Netherlands, Poland, Portugal, Qatar, Saudi Arabia, Spain, Sweden and Switzerland.

Operation DEMETER II involved a series of operational mechanisms: intensified controls, monitoring, notification and feedback. During the 35-day operation, 256 messages, including 149 pre-arrival notifications (warning messages), were exchanged via CENcomm, the WCO's secure communication tool. The Regional Intelligence Liaison Office Western Europe (RILO WE) in Cologne, Germany, was designated as the Operation Coordination Unit (OCU) and played an important role during the operation in facilitating the exchange of information and preparing the detailed final analysis. For the purpose of environmental protection and fulfilment of international obligations, the WCO will continue to work with member administrations in coordinating similar operations in the future.

### **Electrical and electronic equipment / e-waste**

The overarching objective of the Basel Convention is to protect human health and the environment against the adverse effects of hazardous wastes. Its scope of application covers a wide range of wastes defined as "hazardous wastes" based on their origin and/or composition and their characteristics, as well as two types of wastes defined as "other wastes" (household waste and incinerator ash). Electronic waste, or e-waste, is the common term for electronic goods at the end of their "useful life". Computers, mobile phones and televi-

sions are all types of electronic goods classified as hazardous waste under the Basel Convention. A range of regulations at the international, regional and national levels govern trade in e-waste. The intent is to promote the safe recycling of broken electronic equipment and to enable legitimate trade in used or working equipment. In reality, huge quantities of discarded e-waste end up being illegally traded around the world. The European Union is a major source of e-waste which is illegally exported to developing countries<sup>2</sup>. In recent years, the media and environmental groups have regularly exposed the smuggling and dumping of e-wastes in the developing countries. The tragic consequences for the local environment and health of those involved in processing are well known, yet the flow of e-waste continues. This phenomenon has prompted a series of cross-border enforcement efforts to curb the problem.

### **Control on Hazardous Waste Hong Kong Experience<sup>3</sup>**

To curb illegal trans-boundary movement of hazardous waste in Hong Kong (China), Hong Kong Customs, with the support of the Environmental Protection Department (EPD) in Hong Kong (China), launched the Strategic Control Scheme on Hazardous Waste in 2007. Under the scheme, Hong Kong Customs selects suspicious shipments of hazardous waste for examination and relays details of the

detained shipments to the EPD, as well as liaising with the shipping companies to undertake control of the containers and arrange for examination. Joint examination among Hong Kong Customs, the EPD and the representatives of the shipping companies are conducted afterwards. If hazardous waste is found, the shipping company has to return the shipment to the exporting country under the Basel Convention as such waste is not covered by any permit and thus the containers are not allowed to be imported into Hong Kong, China.

In 2012, a total of 19 containers containing hazardous waste were detected and 100% of them were successfully returned to the exporting countries under the Strategic Control Scheme on Hazardous Waste. The return of hazardous wastes aroused the awareness of the general public and mass media of the exporting countries to the trans-boundary movement of hazardous waste and protection of the environment. On the other hand, the shipping companies became more cautious in screening suspicious shipments in order to avoid importing hazardous shipments into Hong Kong, China. In this regard, the number of cases of illegal importation of hazardous waste has dropped drastically since 2009.

Hong Kong Customs had participated in the Project Sky-Hole Patching to combat the illegal trade of ozone depleting substances (ODS) and hazardous waste.

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<sup>2</sup>“System Failure” – Environmental Investigation Agency (EIA), 2011

<sup>3</sup>Provided by Hong Kong Customs



# MONTREAL PROTOCOL

## (OZONE DEPLETING SUBSTANCES)



The Montreal Protocol is an international agreement that controls the production and consumption of specific man-made chemicals that destroy the ozone layer, the earth's protective shield. The Montreal Protocol was signed in 1987 and came into force in 1989. Currently there are 197 Parties to the treaty.

### Project Sky-Hole-Patching

To combat the illegal trade of hazardous waste and ozone-depleting substances (ODS), the United Nations Environmental Programme (UNEP) and the Regional Intelligence Liaison Office for Asia and the Pacific (RILO A/P) have jointly conducted Project Sky-Hole-Patching since 2006. Under the Project, a notification mechanism has been established for the effective exchange of suspicious shipments and seizure information. The first phase, commencing on 01 September 2006, was a six-month trial period monitoring suspicious shipments of ODS. The second phase was rolled out on 01 March 2007 with the inclusion of hazardous waste in the notification system. With support from all participating members, the Project has become a routine operation since 01 November 2007. Currently, there are 21 Customs administrations participating in the Project and they are Australia, Bangladesh, Bhutan, Brunei, Cambodia, China, Fiji, Hong Kong (China), India, Indonesia, Japan, Korea, Macau, Maldives, Mongolia, New Zealand, Philippines, Samoa, Sri Lanka, Thailand and Vietnam.



*Bottles of Freon concealed in a secret compartment of a bus, discovered by Serbian Customs with the help of a mobile scanner*

*Photos courtesy of Serbian Customs.*

On the 20<sup>th</sup> anniversary of the Montreal Protocol in 2007 the RILO A/P was presented the Stratospheric Ozone Protection Award by the United States Environmental Protection Agency in recognition of its outstanding contribution in combating illegal trade in ODS.

In 2012, there were 20 reported seizures in the database of Project Sky-Hole-Patching. Three of them were related to ODS whereas the remaining cases were related to various other wastes<sup>4</sup>.

<sup>4</sup>Provided by RILO A/P

# CITES CONVENTION (FLORA AND FAUNA)



*Participants at the GAPIN Workshop for frontline Customs officers held at Brussels Airport, Belgium*

*Photo courtesy of Belgian Customs.*

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) aims to ensure that international trade in specimens of wild animals and plants does not threaten their survival. CITES has been in force since 1975, and currently has 178 parties. The trade in CITES-listed species is diverse, ranging from live animals and plants to food products, exotic leather goods, wooden musical instruments, timber, tourist curios, medicines and other wildlife products. The convention accords varying degrees of protection to more than 35,000 species of animals and plants, whether they are traded as live specimens or as raw or finished products. Appendices I, II and III to the Convention are lists of species afforded different levels or types of protection from over-exploitation<sup>5</sup>.

Appendix I lists species that are the most endangered among CITES-listed animals and plants. They are threatened with extinction and CITES prohibits international trade in specimens of these species except when the purpose of the import is not commercial, for instance for scientific research. In these exceptional cases, trade may take place provided it is authorised by the granting of both an import permit and an export permit (or re-export certificate).

Appendix II lists species that are not necessarily now threatened with extinction but that may become so unless trade is closely controlled. It also includes so-called "look-alike species", i.e. species of which the specimens in trade look like those of species listed for conser-

vation reasons. International trade in specimens of Appendix II species may be authorised by the granting of an export permit or re-export certificate. No import permit is necessary for these species under CITES (although a permit is needed in some countries that have taken stricter measures than CITES requires).

Appendix III is a list of species included at the request of a party that already regulates trade in the species and that needs the cooperation of other countries to prevent unsustainable or illegal exploitation. International trade in specimens of the species listed in this Appendix is allowed only on presentation of the appropriate permits or certificates.

## **Project GAPIN II**

Customs, being a border-enforcement agency, plays a vital role in the application of the CITES Convention and shares the responsibility to combat illegal international trade in wildlife. In 2010/11, the World Customs Organization benefited from a donation from the Swedish Ministry of Foreign Affairs to launch Project GAPIN (Great Apes and Integrity). The Project was to raise awareness of the illegal international trade in wildlife and related corruption amongst Customs officers. It aimed to assist a number of Customs administrations in Africa in the fight against illicit trafficking in wildlife protected by CITES. A joint enforcement operation amongst all participating countries took place in January/February 2011.

<sup>5</sup><http://www.cites.org/eng/app/>



*Leopard skin and marine turtle shells seized by the Mozambique Revenue Authority during Operation HOPE*

*Photo courtesy of the Mozambique Revenue Authority.*

In light of the positive outcome of Project GAPIN and the continued threat to wildlife, the Swedish Ministry of Foreign Affairs offered to sponsor Project GAPIN II in 2012, to build on the results of GAPIN. GAPIN II not focused only on great apes, but also on other species that are under threat, such as elephants, pangolins and rhinoceroses. These species were also identified during the 62nd CITES Standing Committee meeting held in Geneva from 23 to 27 July 2012 as severely affected by wildlife crime.

The following 19 countries participated in Project GAPIN II: Burkina Faso, Cameroon, Central African Republic, Democratic Republic of Congo, Egypt, Ethiopia, Gabon, Guinea, Kenya, Mali, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

With the financial support of the Government of Sweden, two workshops for frontline officers working at airports were conducted. The first workshop took place at Zurich Airport, Switzerland in June 2012, hosted by the Federal Customs Administration of Switzerland, and was aimed at French-speaking Customs officers. The second workshop took place at Brussels Airport, Belgium in September 2012, hosted by the Belgian Customs Administration, for English-speaking officers. Another workshop targeted frontline officers working at seaports. This workshop took place in Durban, South Africa in August 2012 and was hosted by the South African Revenue Service. All three events contained classroom sessions and practical exercises and in total more than 50 frontline Customs officers participated. The participants in the workshops were introduced to the following topics: risk

management, modus operandi, detection techniques, controlled deliveries, X-ray image analysis and integrity aspects. In addition, two seminars with an open session for Customs, partner organisations and Non Governmental Organisations (NGO), followed by a closed session for Customs and relevant law enforcement organisations were conducted. The first seminar in September 2012 was hosted by the Uganda Revenue Authority in Kampala, Uganda while the second event was held in Lusaka, Zambia, hosted by the Zambia Revenue Authority, in November 2012.

Operation HOPE was launched under the umbrella of Project GAPIN II. The Operation targeted air and maritime consignments, as well as passengers, from 22 to 31 October 2012 to identify illicit shipments of endangered wildlife and other species. The Operation was mounted with the support of the CITES Secretariat, INTERPOL and the Lusaka Agreement Task Force (LATF). The joint efforts of 41 Customs administrations, in Africa, Asia and Europe, including participating partners, resulted in a number of arrests and the seizure of over 2,200 items, including two rhino horns, 53 pieces of rhino skin, 497 kg of raw ivory, 393 pieces of worked ivory (mainly with jewellery), 140 tortoises (from which only 49 survived the smuggling attempt), 161 dried seahorses, 25 kg of pangolin scales, 21 bags made from reptile skin, six lion skins, one leopard skin and 20 orchids.

Besides intercepting more than 150 kg of bushmeat, of which 25 kg proved to be meat from protected species like crocodile, pangolin and python, Customs officials discovered 40 kg of shark fins, 408,000 kg of unprocessed teak wood without export licence, 6.6 kg of heroin,





Traditional Chinese medicine containing rhinoceros seized by the United Kingdom Border Force



Photos courtesy of the United Kingdom Border Force.

2 kg of cannabis, 13.5 kg of gold from illegal mining operations and 15,800 pieces of cigarettes. Customs at European airports seized several hundred kilograms of meat, fish, dairy and other food products for sanitary reasons.

Seizures were made in Cameroon, the Democratic Republic of Congo, Ethiopia, Gabon, Guinea, Mali, Mozambique, Namibia, Nigeria, South Africa and Tanzania – eleven of the nineteen countries that form part of Project GAPIN, while the balance were made in countries outside Africa – Belgium, China, France, Germany, Italy, Portugal, Spain, Switzerland and the United Kingdom.

The Regional Intelligence Liaison Office Central Africa (RILO CA) in Douala, Cameroon, with the support from officers from the RILO Asia/Pacific, RILO Eastern and Southern Africa and the RILO Western Africa, undertook the Operation Coordination Unit (OCU) role and facilitated the exchange of information and flow of intelligence. Participants used CENcomm, the WCO's secure communication tool, to exchange intelligence and information during the course of Operation HOPE.

## Illegal trade in rhinoceros horns

For 16 years, between 1990 and 2005, rhinos poaching losses in South Africa averaged 14 animals each year. In 2008, this figure rose to 83 and, by 2009, the number had reached 122 rhinos. In 2010, poaching escalated dramatically throughout the year, near tripling the toll and reaching 333 rhinos killed. In 2011, the total again climbed to 448 rhinos lost<sup>6</sup>. A sad record of 668 rhinos killed was reported for 2012.

### Rhinos and CITES

There are currently five species of rhinos existing in the wild:

- The black rhinoceros is listed in Appendix I and is found in sub-Saharan Africa. This animal has two horns.
- The white rhinoceros is listed in Appendix I and is also found in sub-Saharan Africa. However, the geographical populations of a sub-species, in South Africa and Swaziland, are listed in Appendix II (for the exclusive purpose of allowing international trade in live animals to appropriate and acceptable destinations and hunting trophies). This animal has two horns.
- The great Indian rhinoceros is listed in Appendix I and is found only in Bhutan, India, Myanmar and Nepal. This animal has a single horn.
- The Javan rhinoceros is listed in Appendix I and is found only in Indonesia and Malaysia. The animal has a single horn.
- The Sumatran rhinoceros is listed in Appendix I and is found only in Indonesia, Malaysia, Myanmar and Thailand. This animal has two horns.

### The use of rhino horn

In the past rhinos were hunted for their horns to be carved and used as the handles of daggers. Yemen was the main consumer of rhino

<sup>6</sup>“Executive Summary of The South Africa – Viet Nam Rhino Horn Trade Nexus” - TRAFFIC Report

<sup>7</sup>“Assessment of Rhino Horn as a Traditional Medicine” (« Évaluation de la corne de rhinocéros en tant que médicament traditionnel ») - CITES SC62 Doc. 47.2



*Cut rhino horn pieces seized by the Mozambique Revenue Authority*

*Photo courtesy of the Mozambique Revenue Authority.*

horn for this purpose. Today rhino poaching is fuelled by the growing demand of rhino horns in Southeast Asia, in particular Vietnam, and China. The rhino horn is used as an ingredient in traditional medicine. The use began in China several thousand years ago and later spread to Japan, Korea and Vietnam. Rhino horn is classified as a “heat-clearing” drug with detoxifying properties<sup>7</sup>. Rhino horn has not been well researched but it is believed to cure fevers. Unlike the horns of many other animals, rhino horn contains no bone whatsoever. Rhino horn consists of keratin which is the key structural component of human hair and nails. More recently rhino horn is promoted by some as a cancer treatment in China and Vietnam. It is believed that the consumption of powdered rhino horn, dissolved in liquids, will halt the progress of cancer. However, the most popular usage appears to be as a cleansing drink to soothe a hangover resulting from over-consumption of alcohol.

### **Smuggling of rhino horn**

According to the CEN database a total of 17 seizures of rhino horns and three seizures of hunting trophies were made between 2008 and 2012. Additionally the South African Revenue Service (SARS) reported the seizure of 53 pieces of rhino skin during Operation HOPE. The skins, detected with the help of a sniffer dog, were being sent to Vietnam by air cargo.

Although rhino poaching also occurs in Asia this chapter focuses on the smuggling of rhino horn from Southern and Eastern Africa to Asia. The vast majority of rhinos are illegally killed in South Africa, in particular in the Kruger National Park, bordering Mozambique.

Air passengers' personal luggage was the most common means of smuggling rhino horns. It is common for several horns to be smuggled by one courier. During the search of a suitcase from a passenger en route to Vietnam officers from the Mozambique Revenue Authority at Maputo Airport detected seven rhino horns in May 2012.

In three seizures rhino horns were smuggled by sea cargo: (1) The biggest seizure was realised by Hong Kong Customs in November

2011. 33 rhino horns (weighing 86.54 kg) were found alongside 758 ivory chopsticks (13.22 kg) and 127 ivory bracelets (9.2 kg). Acting on risk assessment, a container onboard a vessel arriving from South Africa and declared as containing “scrap plastic” was selected for inspection by Customs officers. Under x-ray examination, officers discovered the contraband concealed inside a package of plastic scrap placed at the rear end of the container; (2) Customs officers at the Manila North Harbour Port in the Philippines detected six rhino horns (13.2 kg) in August 2012 in a container arriving from Mozambique. The rhino horns were concealed in bags of cashew nuts; (3) Hong Kong Customs foiled a smuggling attempt by mail in August 2012. In a mail parcel transiting Hong Kong, China from Mozambique to Vietnam 13.62 kg of rhino horn were found hidden in two animal statues.

The rhino horns may be wrapped in aluminium foil or carbon paper in the hope this will avoid detection by X-ray machines. Only in one case was the rhino horn cut into pieces. In November 2012 officers from the Mozambique Revenue Authority reported a seizure of six pieces of rhino horn at Pemba Airport. A passenger tried to smuggle the rhino horn in his luggage to Vietnam. The smuggling of powdered rhino horn hasn't been reported yet.

Mozambique and South Africa were the top departure countries for smuggled rhino horn. Europe must also be regarded as starting points for smuggling, particularly in relation to horns stolen from museums or purchased via auction houses. The main destination was Vietnam, followed by China, Hong Kong (China), Thailand, Lao PDR and the Philippines. Recent intelligence suggests that some smugglers, realising that passengers whose journey started in Southern and Eastern Africa might be targeted on arrival in destinations in Asia, have arranged for accomplices in the arrival area of airports. There, they will leave the luggage, containing the rhino horns, to be picked up and carried through Customs by the accomplice, who arrived from the non-high-risk region so as to avoid Customs' profiling for inspection, or the syndicate member working at the airport.



6,034 kg of ivory detected by Royal Malaysian Customs

Photo courtesy of Royal Malaysian Customs.

## Illegal trade in elephant ivory

Populations of elephants in Africa continue to be under severe threat as the illegal trade in ivory grows – with double the numbers of elephants killed and triple the amounts of ivory seized, over the last decade. Globally, illegal ivory trade activity has more than doubled since 2007, and is now over three times larger than it was in 1998. Poaching is spreading primarily as a result of weak governance and the rising demand for illegal ivory in the rapidly growing economies of Asia, particularly China, which is the world's largest destination market<sup>8</sup>.

### Elephants and CITES

The African elephant is listed in Appendix I, except the populations of Botswana, Namibia, South Africa and Zimbabwe, which are included in Appendix II. The Asian elephant is listed in Appendix I.

### The use of elephant ivory

Elephant ivory is carved into jewellery, religious objects, hankos (name seals), pieces of art and decoration and other objects. Such carvings have been a much-revered luxury and status symbol around

the globe for many centuries. While carved ivory is smuggled from Africa to markets in Asia, North America and Europe, the raw ivory is mainly smuggled to China and Thailand.

### Elephant ivory smuggling

Elephant in Asia are not immune to poaching. Ivory from Africa is smuggled all over the globe; however, this chapter focuses on the smuggling of elephant ivory from Africa to Asia.

Despite continued efforts by the law enforcement community, the illegal ivory trade continues on a large scale. The analyses of the data from the Elephant Trade Information System (ETIS, since 1989) managed by TRAFFIC on behalf of the CITES Member States, confirmed 2011 as the worst year on record for ivory seizures, with the period 2009 – 2011 including three of the top four years in which the largest quantities of ivory were seized worldwide. In 2011 alone, there were 17 large-scale ivory<sup>9</sup> seizures totalling 26,400 kg of ivory. Seizures reported to CEN confirm this information. Kenya, Malaysia, Thailand and Hong Kong, China reported several large seizures (more than 800 kg) of ivory.

<sup>8</sup>“Elephants in the Dust - The African Elephant Crisis” - Rapid Response Assessment by UNEP, CITES, IUCN and TRAFFIC

<sup>9</sup>“ETIS REPORT OF TRAFFIC” - CoP16 Doc. 53.2.2 (Rev. 1)



In 2012 Customs in Hong Kong (China), Malaysia, Sri Lanka and the United Arab Emirates reported six large seizures of ivory to CEN. The biggest haul was achieved by Customs officers at Port Klang, Malaysia in December. Upon inspection of two containers, declared as containing "wooden floor tiles", arriving from Togo 2,341 pieces (6,034 kg) of raw ivory tusks were detected amongst the coverload. In October Hong Kong Customs, in cooperation with China Customs, seized 1,209 pieces (3,813 kg) of raw ivory tusks and 1.4 kg of ivory ornaments inside two containers shipped from Tanzania and Kenya. A month later an additional 569 pieces (1,330 kg) of raw ivory tusks were seized by Hong Kong Customs. This time the container arrived from Tanzania. In May Customs at Colombo Seaport, Sri Lanka intercepted a container with 359 pieces (1,500 kg) of raw ivory tusks shipped from Kenya and bound for the United Arab Emirates. Customs officers in the Jebel Ali Port, United Arab Emirates seized 215 pieces of raw ivory tusks arriving from Kenya in October. Earlier in the year China Customs discovered 363 pieces (931.7 kg) of raw ivory tusks shipped in a container from Tanzania<sup>10</sup>. Several dozen mail and express courier shipments with semi-worked ivory (cut pieces) and worked ivory (mainly jewellery) were intercepted at European airports and Hong Kong, China. The vast majorities of the shipments arrived from Burundi and Nigeria and were bound for China and Hong Kong, China. Quantities ranged from a few grams up to 19.4 kg of ivory (found in a mail shipment from Namibia to China). Mainly semi-worked ivory and worked ivory was seized from the passenger's luggage at departure airports in Africa and transit airports in Africa, Europe, the Middle East, Asia and destination airports in Asia. Most passengers departed from South Africa, Central and Western African countries and travelled to China and Hong Kong, China. The largest quantity with 95.4 kg of pieces of raw ivory tusks and worked ivory was found in the luggage of a passenger arriving in Hong Kong, China on a flight from Ethiopia.

In general an increasing sophistication of concealment techniques has been observed in the air stream during the last 18 months. In the past ivory and other protected wildlife products in a passenger's luggage or in express courier and mail parcels from Africa to Asia were rarely concealed. Today wildlife smugglers use the same techniques as drug couriers: e.g. the contraband is hidden in objects or in the false bottom of the luggage, wrapped in aluminium foil and placed in metal containers or mixed with other organic goods such as fruits and coffee to avoid detection by X-ray, and painted to give it a different appearance and mislead law enforcement officials. This clearly shows that a) the smugglers know that their actions are illegal and b) the fear of controls and being caught by Customs has increased. Ivory smuggled in maritime containers was mainly concealed amongst the declared coverload of plastic waste or scrap, sunflower seeds, beans, dried fish, soapstone and wood products.

## Illegal trade in pangolins

Pangolins, insect eating mammals (also known as scaly anteaters), are common in Asia and Africa. They are slaughtered by the thousands for their meat and scales.

### *Pangolins and CITES*

All eight species of pangolin are listed on Appendix II of CITES. The Asian species include the Chinese Pangolin, Sunda Pangolin, Indian Pangolin and Philippine Pangolin and the African species include the Giant Pangolin, Ground Pangolin, Tree Pangolin and Long-tailed Pangolin.

### *The use of pangolin*

In Asia the pangolins are mainly poached to meet demand for their meat and for the use of their scales, made of keratin, like rhino horns, in traditional medicines. The key consumers are China and Vietnam. The meat from pangolin fetuses is considered a delicacy. In Africa the animals are hunted for their meat, which are either consumed or traded as wild meat, and for their scales, which are used for cultural and ethno-medical purposes, including in traditional African medicine<sup>11</sup>.

### *Pangolins and pangolin scales smuggling*

Countries in Asia reported the biggest seizures of pangolin and pangolin scales. In July 2012 during Operation LIBRA organised by INTERPOL and supported by the WCO, as a result of close international cooperation, Indonesian Customs discovered a shipment of frozen pangolins bound for Vietnam. Subsequently, Customs in Vietnam was informed and additional assistance provided by the WCO to track the shipment to Hai Phong, Vietnam, where it was intercepted by Customs officers. The shipment was found to contain 260 cartons of frozen pangolins weighing 5,000 kg in total. In 2012 several seizures of pangolin and pangolin scales were reported at seas by Customs in Malaysia and Hong Kong, China. In three incidents Hong Kong Customs seized 632.5 kg of pangolins and 395.5 kg of pangolin scales to be transported by a speed boat to China. Customs officers in Malaysia intercepted a motor boat arriving from Indonesia with 67 live pangolins. Further 46 live pangolins were found at Kuala Lumpur Airport. The pangolins, declared to be live crabs, were to be shipped by air cargo to Laos. Occasionally pangolin meat is seized at European Airports from air passengers and air cargo arriving from Central Africa.

In order to meet the demand for pangolin scales in traditional medicines in Asia the scales of African pangolins are increasingly smuggled between the two continents. The scales are mainly shipped by air cargo, express courier and carried by passengers from Central and Western Africa to China and Hong Kong, China. Belgian Customs at Brussels Airport regularly seize pangolin scales hidden in luggage from passengers en route from Central Africa to China, while Customs officers at Liège Airport seized 40 kg in December 2012 destined for Hong Kong, China. 50.6 kg of pangolin scales were seized by Hong Kong Customs in August 2012 from air cargo arriving from the Ivory Coast.

<sup>10</sup>"Research Project on the Determination of Age and the Geographical Origin of Elephant Ivory"- CITES CoP16 Inf. 19

<sup>11</sup>"AFRICAN PANGOLINS" - TRAFFIC Bulletin Vol. 24 No. 2 (2012)



*Pangolin scales*

*Photo courtesy of Belgian Customs.*

During the pre-operational phase of Operation HOPE Customs at Amsterdam's Schiphol Airport, Netherlands seized a cargo shipment with 540,000 HUICHUN capsules (traditional Chinese medicine). According to the packaging, the product contained "Squama Manis" (pharmaceutical name for pangolin scales). The shipment was without the required CITES permit and was sent from China via Amsterdam to Ghana.

### **Illegal trade in tigers**

Less than 100 years ago tigers were found throughout much of Asia, as few as 3,200<sup>12</sup> – poaching is the most immediate threat to wild tigers – exist in the wild today. Their range has been reduced by 93 % and wild populations now only exist in 13 countries: Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Myanmar, Nepal, Russia, Thailand and Vietnam. At present, tigers occur only in scattered populations in small, isolated and fragmented landscapes<sup>13</sup>.



*Frozen pangolins (bushmeat) intercepted by Belgian Customs*

*Photo courtesy of Belgian Customs.*



Traditional Chinese medicine containing tiger bone seized by the United Kingdom Border Force



Photos courtesy of the United Kingdom Border Force.

### Tigers and CITES

The tiger is listed in Appendix I.

### The use of tiger parts

Every part of the tiger, including the bones, is illegally traded. Their parts are used for traditional medicine (e.g. tiger bone wine), folk remedies and, increasingly, as a status symbol among wealthy Asians.

### Tiger and tiger bones smuggling

Only a few seizures of tiger parts and products were reported to CEN in 2012. Customs in the United Kingdom reported several seizures of small quantities of traditional Chinese medicines containing tiger parts arriving from China. In Spain Customs in cooperation with police seized a tiger skin to be exported to Sweden while Portuguese Customs detected 1.2 kg of tiger parts carried by an air passenger arriving from China.

The report "Reduced to Skin and Bones Revisited" published by TRAFFIC found that between 2000 and 2012, there were 654 seizures of tiger parts in tiger range states, corresponding to 1,425 animals; an average of 110 tigers killed per year. In October 2012 Thai authorities seized 16 tiger cubs near the border with Lao PDR. The cubs were found packed into eight plastic crates in the back of a lorry<sup>14</sup>.

### Controlled delivery

#### An innovative means of enforcement action against wildlife crime

One has to realise that simply intercepting and seizing contraband without taking further action against those responsible will have no lasting effect and won't attack the problem at the source.

A controlled delivery is a tool used by law enforcement agencies to identify persons connected with criminal activities and to gather evidence against them. It is a technique that has been employed extensively in relation, for example, to combating illicit trafficking in narcotics and tobacco (tax evasion) but it can be used equally effectively with regard to illegal trade in wildlife.

When law enforcement agencies physically detect, or become aware of, wildlife that is apparently being smuggled from one country to another, it is not unreasonable for their first reaction to be to intercept and seize such a shipment. This response certainly interrupts violations of the Convention and ensures that the wildlife cannot enter into trade. It is also an appropriate response, since it is usually expected, on discovering or learning of a crime, that a law enforcement agency will step in to prevent or stop it. However, in the case of cross-border smuggling, such an action will also often make the job of identifying the intended recipients of the contraband very difficult, if not impossible, and will certainly make it extremely difficult to gather sufficient evidence to prosecute such persons.

It is important to recognise that simply removing wildlife from the "supply chain", without taking action against those responsible, will

<sup>12</sup><http://worldwildlife.org/species/tiger>

<sup>13</sup>"Reduced to Skin and Bones Revisited" - TRAFFIC Report

<sup>14</sup><http://www.bbc.co.uk/news/world-asia-20111464>



probably result in those involved acquiring more specimens and beginning the smuggling process afresh. Since this will require more poaching and killing of species of conservation concern, it is surely in the best interest of CITES to avoid this if possible. A further aspect to consider is that, because the enforcement agency which first discovers or learns of the smuggling is unlikely to be able to take action against those responsible, since they will usually be another country and outside that agency's jurisdiction, it is logical for it to provide evidence to a counterpart agency in whose jurisdiction the offender can be identified and prosecuted. In the case of controlled deliveries, the evidence that is to be provided is the best evidence available, i.e. the shipment itself.

Because of the ability of the smugglers to use the Internet, and other means, to monitor the progress of a shipment, the decision whether to initiate the controlled delivery will often have to be made quickly. Similarly because the shipment may be due to be loaded onto an aircraft or a vessel soon after the discovery of its illicit contents, there may often be little time in which to put the necessary arrangements in place. Consequently, it is preferable that the relevant agencies and their staff already have in place policies relating to controlled delivery operations and that they are ready to act at short notice.

To overcome the challenges of controlled delivery operation, South African Revenue Service succeeded in making a good case for ivory detection and subsequently a controlled delivery operation with further seizures and arrests<sup>15</sup>. On 29 February 2012, the South African Revenue Service (SARS) Customs Detector Dog Unit seized a huge consignment of ivory during routine inspections at a warehouse belonging to a courier company at Cape Town airport. Detector dog Cloe sniffed out four boxes declared as "crafts" containing articles suspected to be ivory. The address on the waybill was used to arrange a controlled delivery, closely monitored by SARS Customs and the South African Police Service. This led to a city business premises where a larger number of elephant tusks and ivory products were found. Also seized was a machine to cut ivory. One suspect has been arrested for being in possession of ivory without a valid permit.

The manuals *Controlled Deliveries – A Technique for Investigating Wildlife Crime* and *Questioning Wildlife Smugglers – A Technique for Investigating Wildlife Crime*, which are joint publications by INTERPOL, the CITES Secretariat and the WCO, are available on ENVIRONET and the restricted website of INTERPOL.

### **Combating International Trafficking in Birds' Eggs – a Federal Customs Administration Switzerland Case and the investigation achievements<sup>16</sup>**

On 11 August 2010, a Swiss national travelling from São Paulo entered Switzerland through the green Customs channel at Zurich Airport. All he was carrying was a bag containing hazelnuts. He was observed to have a noticeable mass in the pubic area of his trousers. The traveller was subjected to a body search because he was suspected of trafficking in narcotics substances. No narcotic substance was found, but 25 birds' eggs were recovered from the traveller's underpants. The traveller stated that they were pigeon eggs for incubation. The eggs therefore had to be kept warm, which was why the traveller was carrying them next to his body. The eggs were packed for travelling in a pair of women's tights so that they resembled a pearl necklace. The Investigation Service based its criminal investigation on the suspicion that they were parrot eggs mostly likely covered by CITES provisions rather than pigeon eggs. That suspicion was based on the individual's criminal record (smuggling of Macaws and Amazons), the dates of travel (Zurich-São Paulo-Zurich in 36 hours) and the suspect's professional activity as a national breeder and known trader in parrots. Suspicion was not sufficient grounds for arresting the suspect at that time. However, during the investigation, it became apparent that the suspect had planned another visit to São Paulo for the following week.

On 24 August 2010, the suspect was searched again; he was carrying only a few bottles of antibiotics for the treatment of sick birds. Suspicion that he had arranged the unlawful importation of eggs by a third party resulted in a house search during which a number of young parrots were found. The provenance of the animals was unclear because no documentary evidence and no computer were found anywhere in the house: nothing relating to the animals in question and no other relevant document. They were presumed to be animals from other Swiss breeders that the suspect had been rearing. In addition to his private residence, two other aviaries (converted pigpens) were searched. Only budgerigars, chaffinches, etc. were found to be present; no other illegal parrots were found.

On the basis of the initial investigations, it was suspected that the individual managed a breeding centre at an unknown location; for that reason, the subject was released, but a covert surveillance was mounted on him.

In addition to the surveillance measures, the investigations into the suspect's activities were intensified. Clarification from various airlines indicated that, between 2008 and 2010, the suspect had made over 30 intercontinental flights from Zurich to South America and Asia. He never stayed longer than three days.

Following intensive investigations during which other discreet breeding stations were found, a team from the Investigation Service,

<sup>15</sup>*Environment Crime Annual Report 2012* - South Africa Revenue Service

<sup>16</sup>Provided by Federal Customs Administration Switzerland



*Cockatoos seized during an investigation by Swiss Customs*

*Photo courtesy of Swiss Customs.*

accompanied by police and CITES specialists from the Federal Veterinary Office raided the suspect's residence early in the morning of 25 October 2011. Searches were subsequently conducted at his residence and at all the breeding farms. As a result of the surveillance put in place, over 300 parrots were discovered in the largest aviary, which was hidden in a difficult-to-access forested area.

Around 130 Amazons were also found at another breeding farm. Under the direction of the Federal Veterinary Office, all the species were identified and photographed. Feathers from the rarest birds were examined to determine their origin using DNA analysis. Due to the risk of evidence being concealed; the suspect and his accomplice were remanded in custody.

It was apparent from analysis of the evidence, witness statements and questioning of the two suspects that the primary perpetrator was an internationally known trader in birds and a bird connoisseur. The farm he declared to be his own included practically everything that a

parrot fancier could wish for. There are not many parrot collections in the world as comprehensive as this. The collection included some extremely rare species (Hyacinth Macaws (*Anodorhynchus hyacinthus*), Red-fronted Macaws (*Ara rubrogenys*), Saint Vincent Amazons (*Amazona guildingii*), Vinaceous Amazons (*Amazona vinacea*), and Blue-headed Macaws (*Primolius couloni*)). What the suspect terms his "life's work" is illustrated by the large number of young birds produced by his breeding pairs.

Investigations showed that the primary perpetrator was not unlawfully importing live birds, only eggs. Excluding the entry into Switzerland on 11 August 2010, it has not been possible to prove unlawful importation of parrot eggs from Brazil. During the procedure, the accused admitted that, in the past, the eggs were not pigeon eggs but the eggs of Blue-fronted Amazons (*Amazona aestiva*, CITES Appendix II) and of birds in the Psophiidae family. The eggs were allegedly intended for someone living in the United Arab Emirates. However, the admission came too late for the eggs in question which had had to be destroyed

in the meantime. Despite intensive investigations, the other importations of eggs into Switzerland from abroad could not be proved.

In view of the overwhelming evidence (e-mails that had not been deleted from his computer), the perpetrator had no option but to confess that, in the past few years, he had smuggled 150 parrots (CITES Appendices I and II) and pheasant eggs into Indonesia, Thailand and Mexico. Those eggs were supposedly the result of this own breeding programme; it was not possible that they were eggs taken from the wild. The perpetrator was charged with infringements of Customs legislation and species protection provisions and expected a hefty fine. In view of the fact that lawful provenance could not be established, seven very valuable, rare parrots and Amazons were confiscated from the perpetrator's accomplice by the Swiss Federal Veterinary Office. The accomplice can also expect a substantial fine. The investigations lasted several months and concluded in autumn 2012.

Finally, in addition to criminal punishment for CITES violations under this investigation into over 40 collectors of Macaws and Amazons, the Swiss authorities have obtained a very clear picture of the situation.

Unfortunately, it is still very much the case that trade in animals such as these is governed by a handshake against payment in full. It was a rare occurrence to find documents, making it difficult to exercise effective control and impose punishment for any infringements of the CITES Convention. Moreover, the individuals involved in these activities are fully aware of the legal framework and behave in such a way as to be able to provide convincing explanations during any control measure.

## International Consortium on Combating Wildlife Crime (ICCWC)

The International Consortium on Combating Wildlife Crime (ICCWC) is a collaborative effort by the CITES Secretariat, INTERPOL, the United Nations Office on Drugs and Crime (UNODC), the World Bank and the World Customs Organization (WCO). United under ICCWC, the five organisa-

tions possess a unique pool of thematically relevant technical and programming expertise, presenting the opportunity for a novel approach to the multi-faceted challenges posed by wildlife crime, including forest crime.

Since its launch in November 2010, the ICCWC has published the ICCWC Wildlife and Forest Crime Analytic Toolkit, and the Consortium is currently working towards implementation of this

toolkit in a number of countries. Further to this, several meetings and workshops have been conducted under the auspices of ICCWC, such as the first International Workshop on Establishing a Network of Controlled Delivery Units for Forest and Wildlife Law Enforcement in December 2011, in Shanghai, China and a seminar for Heads of Police and Customs on Tiger Crime which was held in February 2012 in Bangkok, Thailand<sup>17</sup>.

<sup>17</sup><http://www.cites.org/eng/prog/iccwc.php>



# MINAMATA CONVENTION ON MERCURY

Mercury, a heavy metal, and its various compounds have a range of serious health impacts including brain and neurological damage, especially among the young. Other effects include kidney damage and damage to the digestive system. Victims can suffer memory loss and language impairment alongside many other well-documented problems<sup>18</sup>.

Mercury in the air may settle into water bodies and affect water quality. This airborne mercury can fall to the ground in raindrops, in dust, or simply due to gravity. After the mercury falls, it can end up in streams, lakes or estuaries, where it can be transferred to methyl mercury through microbial activity. Methyl mercury accumulates in fish at levels that may harm fish and the other animals that eat them. Birds and mammals that eat fish are more exposed to methyl mercury than any other animals in water ecosystems. Similarly, predators that eat fish-eating animals are at risk. Analyses conducted suggest that some highly-exposed wildlife species are being harmed by methyl mercury. Effects of methyl mercury exposure on wildlife can include mortality, reduced fertility, slower growth and development and abnormal behaviour that effects survival, depending on the level of exposure<sup>19</sup>.

The Minamata Convention on Mercury, named after a coastal city in Japan where serious health problems (Minamata disease) occurred as a result of mercury pollution in the mid 20th Century, provides controls and reductions across a range of products, processes and industries where mercury is used, released or emitted. These range

from medical equipment such as thermometers and energy-saving light bulbs to the mining, cement and coal-fired power sectors. The treaty also addresses the direct mining of mercury, export and import of the metal and safe storage of waste mercury. The negotiations, initiated by Switzerland and Norway, for the mercury convention were launched in 2009. After four years of negotiations the treaty was adopted by more than 140 governments in January 2013 in Geneva and will be open for signature at a special meeting in Japan in October 2013.

Governments have agreed on a range of mercury-containing products whose production, export and import will be banned by 2020. These include:

- Batteries, except for "button cell" batteries used in implantable medical devices
- Batteries Switches and relays
- Batteries Certain types of compact fluorescent lamps (CFLs)
- Batteries Mercury in cold cathode fluorescent lamps and external electrode fluorescent lamps
- Batteries Soaps and cosmetics
- Batteries Certain kinds of non-electronic medical devices such as thermometers and blood-pressure devices

Because the convention will regulate movements across international borders, its effective implementation by Customs will be essential to ensure compliance with the Minamata Convention on Mercury.

<sup>18</sup><http://www.unep.org/newscentre/default.aspx?DocumentID=2702&ArticleID=9373>

<sup>19</sup><http://www.epa.gov/hg/eco.htm>



*Mahogany seized by Netherlands Customs*

*Photo courtesy of Netherlands Customs.*

It is widely accepted that forests are under severe pressure from logging and illegal trade in timber, mostly driven by strong demand from developed countries and emerging economies. The illegal timber trade may take many forms, such as violations of CITES, attempted bribery, duty or tax evasion, exports in violation of licensing, and/or the production of fraudulent documents both in exporting and importing countries. There have been some reports indicating involvement of trans-national organised criminal groups with sophisticated modus operandi operating on an industrial scale, widespread corruption, as well as semi-legitimate large companies involved in unethical activities. The illegal logging and timber trade not only damage the environment, but also result in reduced profitability for the legal trade, loss of government revenue and foreign income. Illegal logging operations have also, in some cases, involved violence and threats against indigenous people. Deforestation also threatens many endangered species, such as great apes. The majority of illegal logging takes

place in the forests of the Amazon basin, Central Africa and Southeast Asia. Primary importers of illegal logs or wood products are alleged to be China, Japan, the EU and the USA.

Customs administrations in most countries have a role in controlling the trade in timber and collection of associated government revenues, based on CITES and national tax legislation. However, the controls associated with timber harvesting and procedures to document and identify timber consignments have posed a challenge for many regulatory authorities, and it is difficult for Customs and other competent authorities to enforce them at international border crossings. To enhance Customs' role in the fight against the illegal trade of timber, bilateral or multi-lateral Customs cooperation is one of a range of actions. Customs cooperation may include, but is not limited to, information sharing of pertinent national legislation, spontaneous information sharing on specific shipments, examination of exported timber

shipments upon request of the Customs in the importing countries and the sharing of best practices and experiences to strengthen Customs integrity.

Many ways are used to launder illegally logged wood<sup>20</sup>. Those relevant for Customs are:

- Exporting illegal logs cross-border using bribes at border points from origin country A or by illegal roads, and exporting timber as “legally originating” from country B, thus bypassing licensing.
- Exporting logs illegally from origin country A to country B, then re-importing to a mill in country A as a “legal” import from B.
- Controlling legal or illegal border points.
- Exporting logs by road or ship, and then re-selling the entire shipment to a third country through open trade, thus changing the ownership and assumed origin of timber, often using original customs papers from the third country.
- Falsifying the origin of logs or wood products in customs papers, or the bribery of customs officers and forest officials.
- False declaration of tree species on customs papers, especially for endangered or rare species.
- Using existing export permits and certificates to export illegally logged timber originating from another part of the country.
- Multiple re-use of existing export permits and certificates for export in harbours.
- Using forged permits or permits obtained illegally through hacking government sites, or bribery.

## Legal instruments

There is no international convention controlling the trade in timber, although some timber species fall under the CITES Convention. However, some consumer countries have taken a number of unilateral measures to reduce illegal logging and exclude the illegal timber products from their markets. These measures include the extension of the Lacey Act in the USA (which made it unlawful to import into the USA timber produced illegally in foreign countries)<sup>21</sup>. A Customs declaration form has to be filed indicating the species, the quantity and the harvesting country of imported timber and timber products. The European Union (EU) has recently made important policy changes in order to prevent, detect and better address the illegal harvesting of timber and associated trade, pursuant to its Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan. A key element of the

FLEGT Action Plan is a voluntary scheme to ensure that only legally harvested timber is imported into the EU from countries agreeing to take part in this scheme. The internal EU legal framework for this scheme is a Regulation adopted in December 2005, and a 2008 Implementing Regulation, allowing control over the entry of timber to the EU from countries entering into bilateral FLEGT Voluntary Partnership Agreements (VPA) with the EU. The FLEGT Regulation establishes a licensing scheme for timber products exported to the EU from countries that have entered into a VPA with the EU. VPAs aim to guarantee that wood exported to the EU is from legal sources, and to support partner countries in improving their own regulations and governance of the sector. Currently six VPAs have been agreed, with Cameroon, Ghana, Central African Republic, Republic of Congo, Liberia and Indonesia, with agreements with four other countries under negotiation (Malaysia, Vietnam, Gabon and Democratic Republic of Congo). All shipments of timber and timber products imported into the EU from partner countries must be covered by a FLEGT licence issued by the partner country's licensing authority, stating that the products are legally produced. These FLEGT licences may cover specific shipments or specific market participants. FLEGT licences must be presented at the point of entry, at the same time as Customs declarations<sup>22</sup>.

In addition the “EU Timber Regulation” (EUTR), an overarching measure to prohibit the placing of illegal timber and timber products onto the EU market, which came into force in March 2013, lays down the obligations of operators who place timber and timber products on the market through three key obligations<sup>23</sup>:

1. It prohibits the placing on the EU market for the first time of illegally harvested timber and products derived from such timber;
2. It requires EU traders who place timber products on the EU market for the first time to exercise “due diligence”;

Once on the market, the timber and timber products may be sold on and/or transformed before they reach the final consumer. To facilitate the traceability of timber products economic operators in this part of the supply chain (referred to as traders in the regulation) have an obligation to:

3. Keep records of their suppliers and customers.

The EUTR is not a border measure: imports will not be checked at the border.

<sup>20</sup>“Green Carbon, Black Trade” – A Rapid Response Assessment, UNEP/GRID-Arendal

<sup>21</sup>“Trading Timber: A comparison of import requirements under CITES, FLEGT, and related EU legislation for timber species in trade”- TRAFFIC and WWF.

<sup>22</sup>OECD Trade Policy Studies: Illegal Trade in Environmentally Sensitive Goods

<sup>23</sup>[http://ec.europa.eu/environment/forests/timber\\_regulation.htm#products](http://ec.europa.eu/environment/forests/timber_regulation.htm#products)





## **ENVIRONET**

### **The WCO's tool for the fight against environmental crime**

In the fight against environmental offences, like any other crimes, it is believed that information sharing is essential for any successful enforcement, and can be achieved in a simple and easy way. There is very little time for Customs frontline officers to detain any suspicious consignments for verification. Assistance via official channels may not be available within a desired time frame. Informal consultation and assistance from experts and other Customs colleagues in terms of identification, and whether a certain consignment is controlled by the MEAs would greatly facilitate rapid decision making on the ground. Access to background information and assistance from professionals may also arm Customs officers with the necessary knowledge and expertise in their daily work. The WCO Secretariat has developed ENVIRONET for this purpose. ENVIRONET was launched in June 2009.

ENVIRONET is a real-time communication tool for information exchange and cooperation in the area of environmental border protection among Customs administrations, competent national agencies,

international organizations and their regional networks, as well as other enforcement authorities bearing similar responsibilities. As one of the CENcomm (Customs Enforcement Network Communication) applications, ENVIRONET is internet based and accessible only to the closed user group (CUG). Information transmitted via the tool is encrypted and secured. ENVIRONET is provided and maintained by the WCO to all members of the CUG free of charge. All users are connected via a secured URL address and with separate logins and passwords granted for this purpose.

ENVIRONET is designed to:

- Share best practices;
- Provide downloadable training materials, identification guides, manuals and other background information valuable for environmental enforcement;
- Exchange information on seizures, and possible ongoing trafficking;
- Create discussion forums on specific topics;
- Facilitate assistance by experts from international organisations, competent national authorities, and experienced Customs officers;
- Facilitate cooperation between Customs administrations, competent agencies and international organisations;

All information which is relevant to Customs environmental border protection fall into the scope of information exchange via ENVIRONET, in particular the implementation and enforcement of several trade-related MEAs. In addition, information related to nuclear materials, illegal trade in timber and unregulated, unreported fishing may also be exchanged via ENVIRONET.

The following officers and experts are invited to the ENVIRONET CUG:

- Customs officers involved in environmental enforcement, in particular those at the frontlines. There is no limitation on the number of users, and it would be ideal if there were at least one officer at each Customs establishment where there is traffic of environmentally sensitive goods;
- Officers or experts from competent national authorities responsible for the implementation of trade-related MEAs, and other law-enforcement agencies bearing similar responsibilities such as the police and coast-guards;
- Officers or experts from international organisations, most prominently partners of the Green Customs Initiative (GCI), and their regional networks bearing similar responsibilities.

The ENVIRONET Library provides information on training materials, identification guides, alerts and any other information which may be useful to Customs environmental enforcement.



E-waste

*Photo courtesy of Hong Kong Customs.*





# SECURITY PROGRAMME

*The WCO Illicit Trade Report 2012 marks the first time in history that WCO has provided information on security-related seizures. In the WCO context, security-related commodities refer to firearms and ammunition, explosives (both homemade and industrial) and strategic commodities (military goods, CBRN materials and dual use goods etc.).*

# INTRODUCTION



*Pen gun and 9 mm cartridge*

*Photo courtesy of Yemeni Customs.*

The report on firearms, ammunition, industrial explosives and nuclear and radioactive materials in this section is compiled from the seizures reported by the Members into the CEN Database in 2012 and other WCO applications that provide security related seizure information. The database includes not only seizures of illegal shipments but also Import, Transit or Export Permission violations. Regarding IED precursor chemicals, the reporting was mainly based on information from the Global Shield application.

# FIREARMS AND AMMUNITION



UZI-style submachine gun

Photo courtesy of Croatian Customs.

## Firearms

### Amount of seizures and seizure types

The table below summarises the number of firearms-related seizures and the number of pieces seized, based on the type of the weapon or the component.

Case-wise, handguns were the item that was most often subject to seizures. Regarding pieces, more than half of the seized items were pneumatic weapons such as air and gas guns. This shows the increasing problem of the existence of imitated weapons which cannot be identified easily from far away if they are misused by criminals.

### Number of seizures and seized items

Type	No. of seizures	No. of pieces seized
Handgun - Pistol	407	31,071
Handgun - Revolver	121	345
Hunting firearms (incl. shotguns)	125	1,509
Machine gun	45	228
Other weapons - Pneumatic (air/gas) weapons	240	78,392
Other-Specify <sup>[1]</sup>	10	25
Parts of weapons - Barrel	20	129
Parts of weapons - Bolt	137	15,763
Parts of weapons - Magazine	308	6,058
Parts of weapons - Other parts	22	5,300
Parts of weapons - Scope	194	5,154
Parts of weapons - Silencer	7	31
Rifle	192	5,807
<b>Grand Total</b>	<b>1,828</b>	<b>149,812</b>

<sup>[1]</sup> The group "other specify" contains antique weapons, grenade launchers, missile engines and a shooting ball-point pen.



Apart from the seizures made in the USA (marked as RILO WCO), most of the seizures were reported in the Western Europe region (364) followed by the Middle East (325), CIS (Commonwealth of Independent States; 67), Eastern and Central Europe (60) and South America (47).

#### Locations

The table opposite provides information on the seizure locations. As can be seen, most of the seizures were made at land-border crossings (37%). More than every fourth (28%) seizure was made as part of inland search. Airport and mail centres were the locations for seizures in 13% and 12% of cases respectively. Recent intelligence shows that especially postal mail has increasingly been used for the trafficking of handguns (even if only for individual items) and this trend needs to be closely monitored in the future.

#### Customs procedure

Graph 2 below breaks down the total number of seizures (1828) according to the supply-chain element in which the seizure was made.

As can be seen from the graph, most of the firearms seizures were made at the point of importation. This is no big surprise, taking into account that most Customs-control resources are deployed at the inbound point. Having said this around every fourth seizure was made at the point of export, underscoring the importance of effective export controls.

#### Conveyance and Concealment method

Graph 3 outlines the type of conveyance associated with the reported seizures.

### Seizures by locations

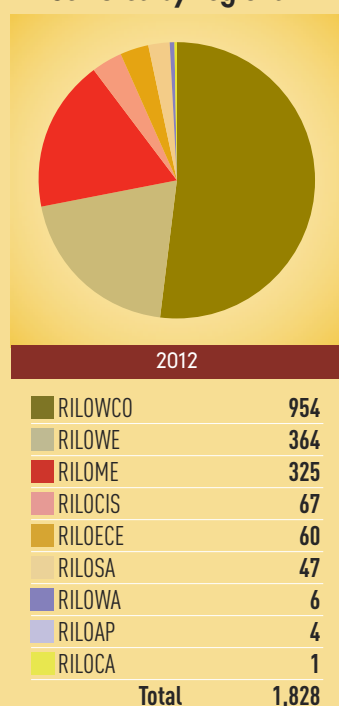
Location type	No. of seizures
Land boundary	679
Inland	503
Airport	239
Mail Centre	227
Seaport	118
Unknown <sup>[1]</sup>	43
Rail	10
Border of free-trade zone	8
River	1
<b>Total</b>	<b>1,828</b>

<sup>[1]</sup>The high number of seizures where the location type is "unknown" is the result of insufficient data input.

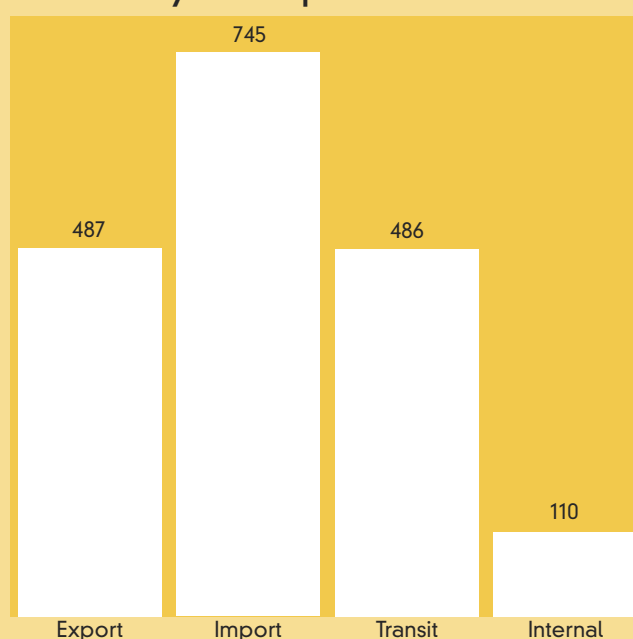
### Concealment methods

Mode of concealment	No. of seizures
Unknown	503
In transport	452
In freight	303
In baggage	190
In mail	160
Not concealed	80
In premises	78
On the person	60
On market places	1
Recovered from sea/beach	1
<b>Total</b>	<b>1.828</b>

[G1] Seizures by regions



[G2] Seizures by Customs procedure





Zastava M57 Tokarev 7.62 mm caliber pistol and 4 EKOL gas alarm pistols (often converted into firearms)

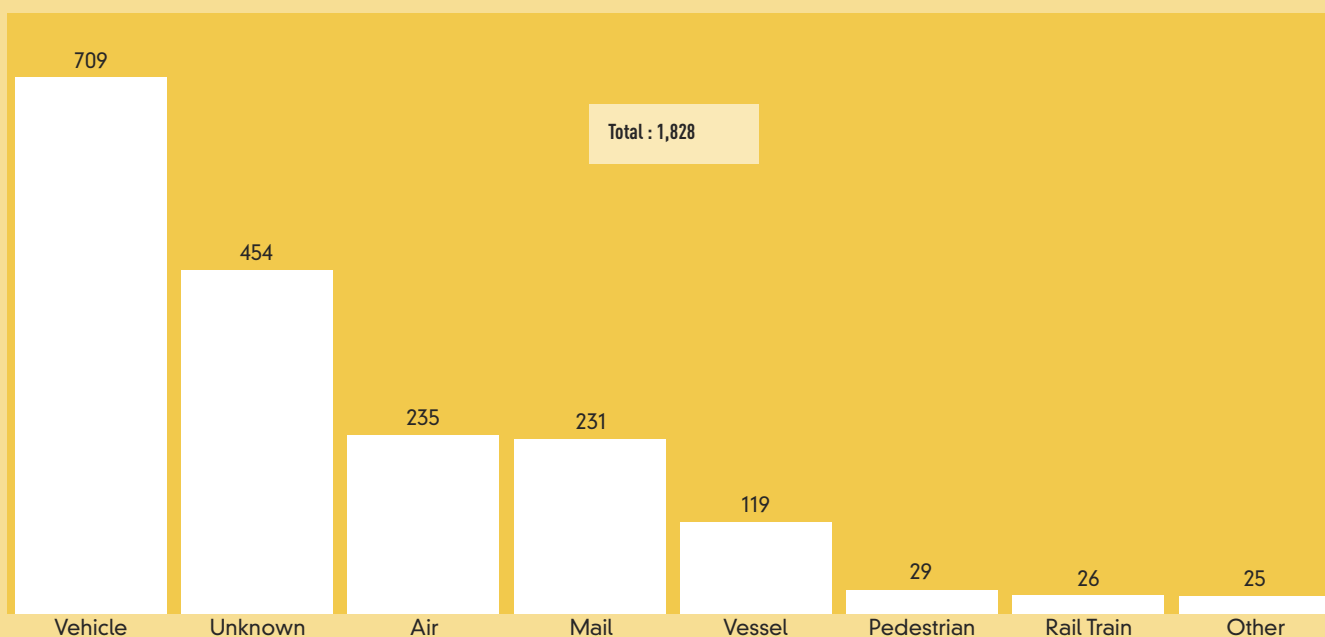
Photo courtesy of Swedish Customs.

Most of the seizures were made in vehicles. In this graph, the column of "unknown" conveyance type can partly be explained by the seizures made in-premises or inland.

The high number of "unknowns" results from a lack of data regarding

the reported seizure. Setting aside the mentioned category, firearms were most often seized from the means of transportation. Some of this can be explained by truck drivers carrying firearms for self-protection. Around 17% of the seizures were made in freight.

### [G3] Concealment methods





Crosman C31 air pistol

Photo courtesy of Cuban Customs.

### Departure and Destination Countries

The table shows the top 20 departure and destination countries. This chart has a strong relation to the reporting countries and one has to be cautious in making any further conclusions based on it. In addition to this, there are a lot of seizures where the departure and destination country information is not mentioned (UN) or the departure country is not known (inland searches).

### Ammunition

Altogether 1,237 cases of ammunition seizures were reported in the CEN system in 2012. Many of these seizures were made in conjunction with weapon seizures. The seizures were reported by around 70 countries, including both developed and emerging economies. The 1,237 seizures amounted to 2,479,578 pieces of seized ammunition. This figure includes one significant single seizure of 1,400,000 pieces in the port of Hamburg. A transit shipment from the Czech Republic to Paraguay was stopped in Germany because of a transit-permission violation.

Concerning the travel direction, the seizures were balanced in export (370), import (369) and transit shipments. The top three location types are the same as with firearms with similar percentage numbers: Land boundary 37%, Inland 31% and Airport 12%.

### Departure and destination countries

Departure countries	Number of seizures	Departure countries	Number of seizures
US	504	UN	512
UN	462	US	175
OM	108	DE	159
CA	73	SA	146
KW	61	AE	144
DE	56	CH	95
CH	36	PH	59
MX	36	RU	45
FR	35	CA	36
YE	35	UA	29
PL	31	MX	25
RU	31	SE	25
CN	24	AR	24
UZ	24	UZ	24
UA	18	FR	21
JO	16	YE	20
NL	14	HN	16
AE	13	PL	14
AT	13	AT	13
CZ	11	VE	12



# EXPLOSIVES



Seizure of 4,800 litres of acetic anhydride in Kabul Province, Afghanistan



Photos courtesy of the Afghan Ministry of Interior Affairs – Counter-Narcotics Police of Afghanistan.

Regarding explosives, the WCO Secretariat has kept records, both of seizures of precursor chemicals for Improvised Explosive Devices (IEDs) as well as for industrial explosives and their components. This section outlines the key findings regarding these types of seizures.

## IED precursor chemicals

Improvised explosive devices (IEDs) manufactured from precursor chemicals are the most prevalent form of explosive employed in bombings around the world. Programme Global Shield (PGS), in

## List of 14 PGS explosive precursor chemicals.

Name of Chemical	Other Names	Common Use
Ammonium Nitrate	High Nitrogen	Instant cold packs, high-nitrogen fertiliser in agriculture
Acetic Anhydride	Ethanoic Anhydride	Photographic film and other coated materials, production of aspirin, wood preservative, production of modified starches, synthesis of heroin
Acetone	Dimethylformaldehyde, Dimethyl Ketone, Ketopropane, 2-Propanone	Cleaning solvent, component of some paints and varnishes, nail polish remover, superglue remover
Urea	Carbamide, carbonyl diamide, carbonyldiamine, diaminomethanal, diaminomethanone	Nitrogen-release fertiliser, raw material for the chemical industry
Aluminium Powders and Flakes		
Hydrogen Peroxide	Dioxidane	Bleach, disinfectant, antiseptic, oxidiser
Nitric Acid	Aqua fortis, Salpetre acid, Spirit of nitre	Fertilisers, purification and extraction of gold, chemical synthesis
Nitromethane	Nitrocarbol	Industrial solvent, cleaning solvent, pharmaceuticals, pesticides, explosives, fibres, coatings and racing fuel, dry cleaning, degreaser, solvent for superglue
Potassium Chlorate	Potcrate	Disinfectant, safety matches, explosives and fireworks, oxidising agent, pesticide
Potassium Nitrate	Saltpetre, Nitrate of potash, Vesta powder	Fertilisers, rocket propellants, fireworks, food additives, pre-rolled cigarettes, tree-stump remover
Potassium Perchlorate	Potassium chlorate, Perchloric acid, Potassium salt peroidin	Fireworks, ammunition percussion caps, explosive primers, propellants, flash compositions, stars, sparklers
Sodium Chlorate		Herbicide, defoliant and desiccant
Sodium Nitrate	Caliche, Chile Saltpetre	Colour fixative and preservative in meats and fish, dyeing and printing textile fabrics and bleaching fibres, manufacture of rubber chemicals, corrosion inhibitor
Calcium Ammonium Nitrate		Fertiliser

close collaboration with the International Criminal Police Organisation (INTERPOL) and the United Nations Office on Drugs and Crime (UNODC), aims at countering the illicit diversion and trafficking of precursor explosive chemicals that may be used to manufacture explosive devices.

Fourteen (14) chemicals have been identified as the most widespread precursors in manufacturing IEDs (Table Page 45).

Currently 80 countries and 11 organisations are participating in the PGS.

For the exchange of information in a secure environment the CENcomm-based Global Shield Application is used. During the ongoing PGS operation an aggregate of 1,607 messages were exchanged between GS Application users. Table 6 demonstrates the number and the type of messages exchanged through the application.

### Number and type of messages exchanged through the GS application

Type of message	Number of messages
Warning	1,105
Feedback	354
Seizure	57
Monthly summary report	91
<b>Total</b>	<b>1,607</b>

During the operational phase of the Programme, the PGS produced 57 aggregate seizures totalling 178,315 kg and 49,040 l of precursor explosive chemicals. The following table provides details on the quantity of each precursor chemical seized.

The graph opposite demonstrates that the most frequently detected illegal explosive precursor chemicals are uncovered during internal checks (20 cases). However in 33 cases the detection was done directly at the customs checkpoints. In 15 cases illegal precursor chemicals were identified during the customs control of transit shipments. A similar number of detections (14) was conducted during import controls. Only 4 cases were identified at point of export. This

### Seized quantities

Precursor	Quantity Seized (kg)	(l)
Acetic Anhydride		35,980
Aluminium Powder	525	
Ammonium Chloride	50,157	
Ammonium Nitrate	109,013	
Calcium Ammonium Nitrate	13,150	
Hydrochloric acid/Hydrogen Chloride		12,260
Hydrogen Peroxide		800
Potassium Chlorate	350	
Urea	5,120	
<b>Grand Total</b>	<b>178,315</b>	<b>49,040</b>

can be explained by the fact that customs controls are more often concentrated on import controls: thus more cases of illegal shipments of precursor explosives are discovered at import point and in transit shipment than at export point.

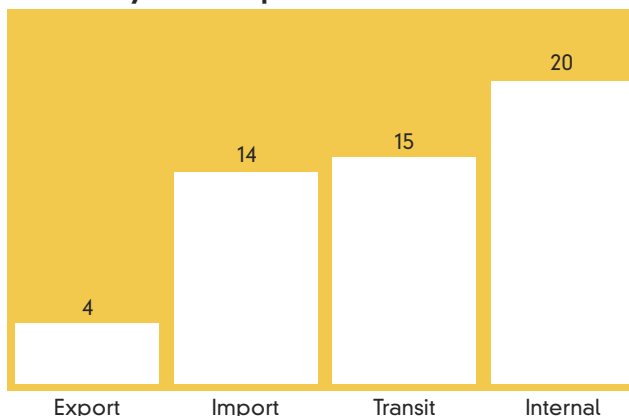
There have been 42 enforcement actions reported, including two arrests associated with a person-borne IED (PBIED) seizure. Additionally, 44 IEDs have been removed, of which 40 were IEDs and 4 were PBIEDs.

### Industrial explosives

There were a total of 28 seizures of industrial explosives (e.g. TNT, C4) amounting to 139 pieces and 36.9 kg of seized materials. In addition to these seizures, 19 seizure cases of hand grenades (968 pieces) were recorded in 2012. Regarding explosive parts, one seizure of cord wires (3 pieces) and 8 cases of detonators (3,138 pieces), together with 10 pieces of other explosive parts, were reported.

Without reference data from previous years, it is difficult to draw clear conclusions about the trends. However, the amount of reported seizures sounds somewhat small. The purchase of industrial explosives and their cross-border transportation are highly regulated activities and would therefore be of high risk for perpetrators and traffickers. This, together with the fact that IEDs can be easily manufactured from legally purchased materials and have become a weapon of choice for terrorist across the world, can be among some of the reasons – obviously together with reporting-related issues – that may explain the rather low number of seizures of industrial explosives and their components.

### Seizures by Customs procedure



# STRATEGIC COMMODITIES

In the context of this report, strategic commodities include the following items:

- Military goods (excluding firearms reported in Section 2)
- Goods that can have both a military and civilian use dual-use goods)
- Goods and materials that can be used to produce weapons of mass destruction and/or carriers for such weapons.

In the current CEN categories, strategic commodity-related seizures could be done under at least three different categories. These include “Nuclear materials”, “Other restrictions and prohibitions” and “Hazardous materials”. An analysis of these three categories shows that only a very limited amount of seizures of strategic commodities were reported to the CEN in 2012. The CEN Database included only two cases of radioactive material and two cases of dual-use goods seizures. It is apparent that this very limited amount of seizures does not allow the determination of trends and patterns to describe smuggling and trafficking trends regarding strategic commodities.

Having said this, practical evidence from WCO Members has indicated several seizures of CBRN materials and dual-use goods over the last 18 months. As the CEN Database does not include these seizures, it is envisioned that there is a slight disconnect between the reality and seizure reporting to the CEN system. To ensure more thorough reporting in the future, it is important to analyse some potential factors that may have affected the situation (the low rate of reporting).

One of the reasons for the low reporting levels may relate to terminology. The definition for “Strategic Commodities” is rather broad and there is no one corresponding reporting segment in the CEN for these goods. In addition to this, no generic reference list for controlled items exists that would exhaustively define what individual items fall under the “Strategic Commodity” category. This may obviously complicate reporting in some cases.

The second reason for the low reporting level may have something to do with the nature of strategic commodities. Seizures of this type



*Russian NSPU 1PN34 NSP-3 night vision rifle scope*

*Photo courtesy of Polish Customs.*

are often of a very sensitive nature and Customs administrations are not necessarily allowed to report them internationally. In some cases, these types of seizures are of national security concern and Customs may not even be the agency responsible for the investigation. When these other agencies have finalised their cases (often it may include years of investigation), the results of the investigation may be classified and never reach back to the Customs offices that made the seizure in the first place.

A third aspect that could affect the data relates to national legislation. Many WCO Members do not have strategic trade control acts or legislation that would allow them to seize strategic commodities (e.g. dual-use goods). Therefore, even if something could be detained at the borders, it may never end up as a seizure and be reported in the CEN.

Taking into account the increasing importance of strategic trade controls and the critical role that Customs plays in their enforcement, the Secretariat will need to explore ways to encourage and increase the recording of such seizures. One of the measures that would be under the purview of the Secretariat relates to streamlining some of the reporting practices in the CEN regarding dual-use goods seizures.

## Case study 1. Strategic Trade Enforcement in Hong Kong

Strategic Trade Controls System Hong Kong is committed to the implementation of an effective and comprehensive strategic trade controls system (“the system”) to prevent it from being used as a conduit for the proliferation of weapons of mass destruction and other illegal munitions items. The system is backed up by an extensive licensing system administered by the Trade and Industry Department and vigorous enforcement by Hong Kong Customs. It is efficient and effective in complying with inter-

national standards of controls but does not impose unnecessary burdens on importers and exporters.

The legal basis for the controls on strategic commodities in Hong Kong is the Import and Export (Strategic Commodities) Regulations made under the Import and Export Ordinance, the Weapons of Mass Destruction (Control of Provision of Services) Ordinance and the Chemical Weapons (Convention) Ordinance.

Enforcement Results on Strategic Commodities In 2012, for the purpose of deterring illicit move-

ment of strategic commodities, Hong Kong Customs:

- examined 108,199 packages of import / export cargo
- checked 5,224 import / export licences
- completed 220 investigation cases
- prosecuted 49 persons / companies with a total fine of HK \$1.8 million.

Major types of strategic commodities involved in the prosecution cases were dual-use goods, including integrated circuits and information systems with security.

*Hong Kong Customs  
February 2013*



## CONCLUSION

This section of the WCO Illicit Trade Report has outlined seizure statistics in relation to commodities that are of security concern from a Customs law-enforcement perspective. It has covered key seizure statistics regarding firearms and ammunition, explosives and strategic commodities.

Due to the lack of reference material from previous years (it is the first report to include security), it is unfortunately difficult to draw clear trends and patterns regarding smuggling and trafficking developments. This report will now form the baseline for future reporting and will hopefully allow better trending from 2014 onwards.

As in the case of all statistical reporting, the depth of analysis depends on the quality of the information upon which the analysis is based. The lifeline of WCO's illicit trade reporting is the depth of seizure information reported in the CEN by WCO Members. Excluding firearms and IED precursor chemicals, security-related seizure data in the CEN is rather scarce. There are obviously many reasons for this and some of them have been explained in the previous sub-sections. The Secretariat will do its best to streamline reporting practices by the release of the WCO Illicit Trade Report 2013.

## RECOMMENDATIONS

- The Secretariat would like to encourage its Members to keep actively reporting security-related seizure information to the system to allow better and more thorough analysis.  
It is essential to enter the seizure information into the CEN in as much detail as possible. Please also fill in the non-mandatory fields when you have the appropriate information.
- Due to the fact that Internet shops are still increasing and this purchasing is mostly sent by Post or an Express Courier, this conveyance needs more attention

# CEN PROGRAMME

*Customs administrations around the world play a vitally important role in the fight against trans-national crime. In order to be effective they require the necessary hardware and software, as well as the related knowledge and skills to implement simplified and improved customs procedures, with modern customs operational techniques. In today's digital age, a fast flow of information between countries, agencies and front-line staff is a key factor in effective border control and the disruption of illicit trade. Faced with the task of promoting greater connectivity and more harmonious interaction, the WCO is putting an ever-increasing value on technology and innovation.*

*The WCO Customs Enforcement Network became operational in 2000, but since then the CEN suite has grown to include a number of standalone applications. Complimentary and compatible in nature, the applications provide Customs with the latest technology tools within a secure global network to successfully meet the challenges of the digital age.*

# A NETWORK IS STRENGTH IN NUMBERS...



As the pioneer of the CEN suite, the CEN application was conceived to assist the Customs enforcement community in gathering data and information for intelligence purposes. This module acts as a central depository for enforcement-related information; its success resting squarely on the steady flow of quality data provided by all WCO Members.

An updated version of the CEN application was introduced in 2011. At its core is a database of seizures and offences as well as pictures required for the analysis of illicit trafficking in the various areas of Customs' competence. A communication component facilitates co-operation between users at the international level, while the CEN website gives them the possibility to consult various enforcement-related publications such as alerts, analytical reports and informational bulletins.

In a constant effort to improve the application, new functions and features are periodically introduced to make the system increasingly user-friendly. From its accessibility via all browsers, automatic password expiry notifications, to a powerful search function for cases or photos, the ability to extract the search results to an Excel spreadsheet or upload a large number of cases at once via the automatic upload capability, the CEN application is developing to meet the needs of users across the globe, who contribute ideas on a daily basis into the CEN discussion forum.

The CEN application is much more than a sophisticated database; it is essentially an analytical tool. Its functions allow users to mine data, which is crucial in terms of defining strategies, preparing risk indicators and identifying trends. The MS Access database that can be downloaded from the CEN is updated every fifteen minutes with new seizure cases as they are input from every corner of the world, while the in-built statistics feature makes it easy to convert this data into tangible results. Intelligence is a vital element of enforcement, and the CEN application enables all WCO Members to access a critical mass of information which forms the basis of intelligence.



# BRIDGING THE GAP THROUGH TECHNOLOGY...



In some countries around the world Customs can be responsible for the collection of up to seventy per cent of governmental revenues. The need exists therefore for an efficient national Customs administration, based on the principles of good governance, modern operational methods, state-of-the-art revenue collection and information-communications technology systems, which all form a set of key building blocks underpinning the stable economic growth of those countries.

The National Customs Enforcement Network (nCEN) is a system developed by the WCO to assist Customs administrations with the collection and storage of law-enforcement information on the national level, with the additional capability to exchange this information at the regional and international levels. Through the adoption of the nCEN, administrations have the ability to manage information on all aspect of their law-enforcement functions, including seizures and offences and suspected persons or business entities, within a modern national system that can be standalone or used in a networked environment. The Information Communication Interface (Icomm) included in nCEN allows administrations to exchange data with other nCEN users provided the existence of a legal premise, or to transfer the non-nominal components of the data directly to the global CEN database.

Developed from funding provided by Members and following a successful pilot of the application in Mauritius, the initial implementation of nCEN will start as part of the East and Southern Africa component of the project "Building Trade Capacity through Customs Modernisation in the East and Southern Africa Region". As a first step in the comprehensive global implementation process, a road-map document with a questionnaire and the security guidelines were sent out to all WCO Members in 2012. The assessment of questionnaires and pre-deployment missions will be carried out in the following months to identify and mitigate potential risks with the implementation plan. Following the procurement of hardware and the installation of the nCEN software, training workshops, possibly combined with intelligence analysis training, will be organised at regional or national levels.

In order to face the challenges of the digital age, Customs administrations must commit to continuous improvement and modernisation of their procedures and operational techniques. In a global economy based on information computerisation, the nCEN enables Customs administrations to take large steps on the path to good governance, trade facilitation, stricter law enforcement and ultimately sustainable development and economic growth.

# REAL-TIME SECURE COMMUNICATION...



We are fast becoming a world economy based on the communication of information. The evolution of technology into our daily lives has allowed rapid global communication while business and social networking is shaping our modern society.

The ability to exchange and disseminate information in a secure environment, especially when time is of the essence, is imperative for Customs during special border enforcement operations. With this in mind, CENcomm was conceived as a web-based communication system permitting a closed user group of officers to exchange messages via encrypted channels, in real time, for the duration of an operation or project, and has rapidly become the most popular application within the CEN suite.

Year	Number of operations / projects
2010	33
2011	37
2012	53

Last year fifty-three operations and projects were conducted with the use of the CENcomm application, representing the highest number of activities in its history. More than nine hundred users from across the world were registered for short-term operations, and more than one thousand five hundred for long-term projects.

## Overview of several worldwide operations/projects involving CENcomm in 2012

Operation	Organiser	Commodity
ENVIRONET	WCO	Environmental crime
GLOBAL K9 FORUM	WCO	Information sharing
GLOBAL SHIELD	WCO, US	Precursor chemicals
SCIENTIFIC SUB-COMMITTEE	WCO	New trends in science
EURO 2012	RILO ECE	Intellectual Property Rights
FAIR PLAY II	RILO WE	Intellectual Property Rights
AIRCOP	WCO, UNODC, INTERPOL	Drugs
DEMETER II	WCO	Environmental crime
WESTERLIES	WCO, Japan	Drugs
CUSTOMS ALERT NETWORK	US	Other prohibitions and restrictions
SKY-NET	WCO, China	Drugs and precursor chemicals
ARCHEO	RILO WE	Cultural heritage
PANGAEA V	INTERPOL, WCO, PFIPC	Counterfeit medicine
CONTAINER COMM	WCO	Drugs

In a more recent trend, initiated by the Regional Intelligence Liaison Offices, CENcomm is increasingly used as a communication platform between agreed partners for information exchange without link to a specific operation or project. Regional activities in CENcomm are also on the rise as a result of increased cooperation with several regional organisations such as SELEC, EUBAM, CARRIC, OCO and international partners such as INTERPOL or UNODC.

Encouraged by its success, and eager to meet user expectations, the WCO has increased customisation of the system to cater to the needs of specific operations or user groups. For example, members of a closed user group can exchange information in a standardised manner with the use of templates available in CENcomm, which can be amended upon request to only include data fields that are necessary for the operation. Subsequently, the organisers of the operation have the option of extracting this pertinent data for analysis purposes.

Accessible via the Internet from anywhere around the world, 24-hours-a-day, overcoming language barriers through its availability in five different languages, CENcomm is the epitome of global communication for law enforcement officers.

### Overview of several regional operations/projects involving CENcomm in 2012

Operation	Organiser	Commoditiy
CARICC	CARICC	Drugs
EUBAM EURO2012	EUBAM	Cross-border crimes
ICE BREAKER	WCO, INTERPOL	Precursors for methamphetamine
JANUS	SELEC, US	Dual use commodities
PODOLIA	EUBAM	Cross-border crimes
GAPIN (Hope)	WCO	CITES



# SYSTEMATIC ASSESSMENT AND TARGETING...



## CARGO TARGETING SYSTEM

For many years, the WCO has promoted risk management, not only to combat illegal trade but also to facilitate legitimate transactions. Several WCO Instruments including the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE) specifically highlight this issue. The WCO has responded to its Members' need for best-practice targeting and risk-assessment capability to implement SAFE by developing the Cargo Targeting System (CTS).

CTS gathers advance electronic import, export and transshipment cargo manifest information from the container-shipping industry using established industry-standard data communications protocols. Manifest data can be mined and analysed with a search function that enables CTS users to select their own risk indicators to search for shipments that meet their specified criteria. Users can also set their searches to run automatically against all new data and flag new possible high-risk shipments for further review.

Further functionality – including a dashboard, watch lists, workflow-process management and internal messaging – puts the user at the heart of the targeting-risk-assessment process, maximising their effectiveness and ability to achieve tangible results.

At the same time as increasing targeting and risk assessment capabilities, CTS offers high levels of security. Each deployment of CTS is a unique, standalone instance established within the Customs administration adopting the application. Combined with robust user administration and comprehensive management-oversight capabilities, CTS empowers effective system and user management without impairing capability.

CTS enables the comprehensive and consistent application of risk criteria to all inbound and outbound cargo and provides timely, actionable results to users. This systematic approach to targeting and risk assessment also allows Customs administrations to focus on high-risk shipments and facilitate lower-risk cargo transactions making more-efficient and effective use of often-limited personnel and inspection resources.

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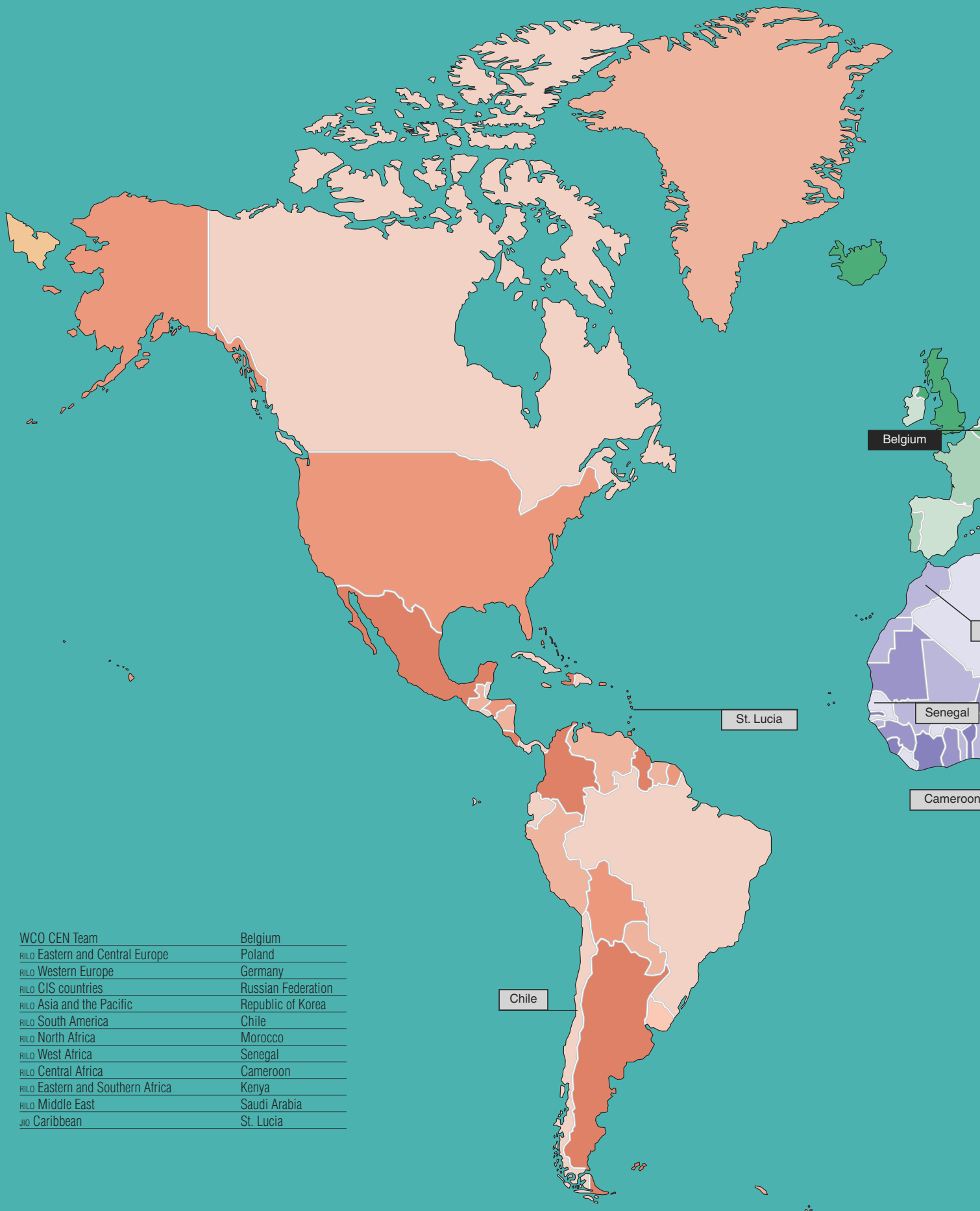
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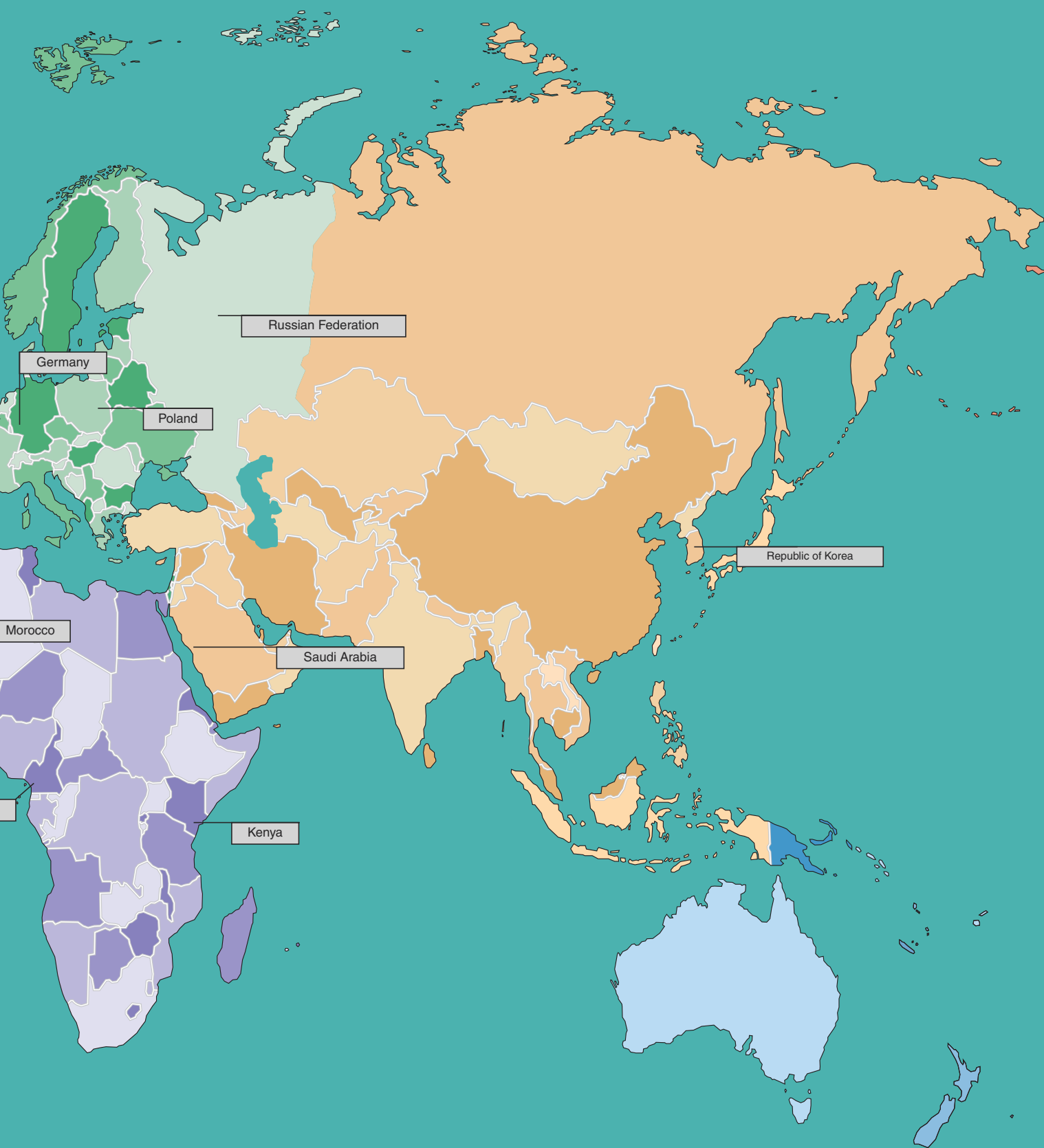
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