

# Collective Action against illegal wildlife trade

## Engaging freight forwarders and logistics providers

Scarlet Wannewetsch | March 2020

# Table of contents

<b>1 Executive summary</b>	<b>3</b>
<b>2 Introduction</b>	<b>4</b>
<b>3 Industry overview</b>	<b>4</b>
3.1 Growing global trade drives specialist logistics services	4
3.2 The consequences of increasing market integration	5
3.3 Services and risks involved in cross-border transportation	6
3.4 What happens at customs?	8
<b>4 Market overview</b>	<b>10</b>
4.1 Size and market share	10
4.2 Regional distribution	11
4.3 Industry consolidation	13
<b>5 Risk overview</b>	<b>14</b>
5.1 Key IWT-related risks	14
5.1.1 Illegal products entering shipments during the stuffing phase	14
5.1.2 Legal liability and financial penalties	14
5.1.3 Contractual penalties not covered by insurance	16
5.1.4 Health and safety risks	17
5.1.5 Co-optation of employees by trafficking networks	17
5.1.6 Risks posed by customers and document fraud	18
5.1.7 Rising risk levels in the future?	18
5.2 Risk mitigation measures	19
5.2.1 Increase oversight over employees	19
5.2.2 Increase security and training around the stuffing and sealing of containers	19
5.2.3 Take a risk-based approach to due diligence	19
5.2.4 Streamline Know Your Customer (KYC) procedures	20
5.2.5 Implement processes to flag fraudulent documents	21
5.2.6 Make use of existing tools and guidelines	21
<b>6 Pathways for action</b>	<b>22</b>
6.1 Bringing market leaders to the table	22
6.2 Synergies with trade facilitation programmes	23
6.3 Increasing pressure from transport industry customers	23
6.4 Communicating the wider benefits of counter-IWT efforts	24
6.4.1 Addressing IWT as part of corporate social responsibility (CSR)	24
6.4.2 Collective Action against IWT increases knowledge and reduces costs	25
6.4.3 Building local partnerships and reputations	25
<b>7 Annex I: Definitions</b>	<b>26</b>

# About the author

## **Scarlet Wannenwetsch**

Project Associate Anti-Corruption Collective Action, Basel Institute on Governance

Scarlet Wannenwetsch joined the Basel Institute in February 2017 as a Project Associate at the International Centre for Collective Action. Prior to joining the Basel Institute, Scarlet gained experience at the International Chamber of Commerce (ICC Germany) and as a legal advisor to an international start-up. Scarlet holds a Law degree (LLB) from Kings College London as well as a Masters (LLM) from the Free University of Berlin focusing on Public International Law and Alternative Dispute Resolution.

[scarlet.wannenwetsch@baselgovernance.org](mailto:scarlet.wannenwetsch@baselgovernance.org)

# About this report

This research report forms part of a cross-divisional project at the Basel Institute on Governance to prevent corruption from fuelling illegal wildlife trade (IWT) along the East Africa – Southeast Asia trading chain. It is important to note that IWT is an evolving issue and companies frequently update their internal processes in line with new laws and standards on anti-money laundering, supply chain due diligence and risk management. This report represents a snapshot in time (March 2020).

This report was funded by PMI IMPACT, a grant award initiative of Philip Morris International (PMI). In the performance of their research, the authors maintained full independence from PMI. The views and opinions expressed in this document are those of the authors and do not necessarily reflect the views of PMI. Neither PMI, nor any of its affiliates, nor any person acting on their behalf may be held responsible for any use which may be made of the information contained herein.

# Abbreviations and acronyms

AEO	Authorised Economic Operator
AfCFTA	African Continental Free Trade Area
CAGR	Compound Annual Growth rate
CEO	Chief Executive Officer
CSR	corporate social responsibility
EMS	environmental management system
FIATA	International Federation of Freight Forwarders Associations
HQ	Headquarter
IATA	International Air Transport Association
ISS	Information Sharing System (UfW Taskforces)
IWT	illegal wildlife trade
KYC	Know Your Customer
LPI	Logistics Performance Index
ML/TF	money laundering/terrorist financing
M&E	monitoring and evaluation
NVOCC	non-vessel operating common carrier
NGO	non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
SAFE	Framework of Standards to Secure and Facilitate Global Trade
SOP	standard operating procedure
UNDP	United Nations Development Programme
UNDP-GEF	UNDP Global Environmental Finance
UfW	United for Wildlife
UNODC	United Nations Office on Drugs and Crime
WCO	World Customs Organisation
3LP	Third-party logistics provider
4LP	Fourth-party logistics provider

# 1 Executive summary

Freight forwarders and other logistics providers are crucial to efforts to prevent live animals and wildlife products being illegally smuggled across borders.

Employees of these companies are responsible for high-risk activities including stuffing containers, filling in and verifying documentation, and dealing with transport company clients and customs authorities. They are at the front line of exposure to corruption and bribery. Back at HQ, these firms are also gold mines of information that could be useful to law enforcement at both the strategic and tactical levels, as they have intricate knowledge of commercial transport routes in countries with a high risk of illegal wildlife trade (IWT). Their knowledge can help to generate red flags for IWT that transport companies and financial institutions can then implement.

Freight forwarders and other logistics providers have so far proven difficult to engage in counter-IWT efforts and are therefore currently a weak link in the chain. Why? Reasons include:

- The nature of industry, which is highly disparate and confusing to non-specialists.
- The fact that the industry in IWT hotspot countries is dominated by large numbers of small players who perform a multitude of different services and more easily operate under the radar.
- The perception that legal, financial, security and reputational risks are negligible.
- A lack of clear positive incentives in the form of business benefits.
- The low cost-benefit analysis of investing in risk mitigation measures, particularly when it does not confer a clear competitive advantage.

Recommendations for industry players who wish to demonstrate their anti-IWT credentials include:

- Engaging in high-level forums focused on private-sector action against IWT in order to benefit from the knowledge of other industry sectors, NGOs and law enforcement.
- Developing a solid risk-based approach to IWT.
- Collectively working with other logistics companies, as well as other companies in the transport supply chain, to develop risk mitigation strategies and corresponding industry standards.
- Leveraging existing multi-stakeholder initiatives to implement industry standards in high-risk IWT countries.

Recommendations for practitioners attempting to engage logistics providers in Collective Action against IWT:

- Identifying the relevant companies to engage, considering the geographic specificity of IWT.
- Identifying companies with the capacity and market position to contribute constructively to raising standards across the industry.
- Engaging industry associations to connect with other integrity and standard-setting initiatives and increase outreach to the smaller players.
- Communicating a tailored IWT risk analysis that reflects the business reality for freight forwarders and logistics providers to foster industry interest.
- Fostering sustainable industry engagement by communicating the business benefits of collectively engaging in the fight against IWT, beyond risk management.

## 2 Introduction

The freight forwarding and logistics industry (hereafter ‘industry’) has been identified by IWT specialists and transport companies as being a crucial but not yet fully engaged sector when it comes to addressing IWT. This report sets the industry in its wider context and explores how it is affected by the risks around IWT. Understanding the industry, and how the illicit trade affects companies and their risk management, will help to build a strong business case for companies to catalyse their efforts to prevent and combat IWT both individually and through Collective Action.

The ultimate aim of the report is to create a baseline for greater dialogue between counter-IWT practitioners and industry representatives, and to help practitioners identify pathways to strengthen the engagement of this vital sector in the fight against IWT. The report is based on publicly available information.

Section 3 explores the industry and current trends affecting its vulnerability to abuse by wildlife traffickers. It looks at the specific services and actors involved in the cross-border transportation of goods, the main exposure to corruption and criminal acts, and the role of Customs.

Section 4 gives a picture of the global market for logistics services, identifying relevant players and setting out how the industry is distributed regionally and globally.

Section 5 discusses the main legal, financial and security risks for logistics providers related to IWT. It also offers five recommended risk mitigation measures for companies exposed to these risks.

Section 6 offers potential pathways for practitioners seeking to engage the industry in these collective efforts, taking advantage of the momentum of existing private sector-focused IWT forums. It also digs deeper into the business case for logistics providers to engage in Collective Action to address IWT.

## 3 Industry overview

### 3.1 Growing global trade drives specialist logistics services

Globalisation and the opening up of cross-border trade have driven rampant growth in demand for specialist logistics providers such as freight forwarders. With more and more goods being flown and shipped around the world, effective management of the transport supply chain is crucial. This is particularly true in the era of just-in-time production processes and next-day delivery guarantees.

Essential tasks include making sure the goods get to the right ports and airports, that they are properly packed and secured for their journey, that they are loaded onto the correct ship or cargo plane at the correct time, that the required documentation and insurance is in place and that there are no hold-ups at customs. When manufacturers and traders decide it is uneconomic to do these tasks themselves, they are likely to turn to specialist firms that offer cross-border transportation logistics.

The terminology used to describe some of the specialists involved in this field – sometimes interchangeably and differently in different places – can lead to a lack of clarity around the various skills

and services that are on offer. These tasks are summarised in the definition from the International Federation of Freight Forwarders below, but for further differentiations, please see Annex 1.

### What tasks do freight forwarding and logistics service providers cover?

*“Freight Forwarding and Logistic Services’ means services of any kind relating to the carriage (performed by single mode or multimodal transport means), consolidation, storage, handling, packing or distribution of the Goods as well as ancillary and advisory services in connection therewith, including but not limited to customs and fiscal matters, declaring the Goods for official purposes, procuring insurance of the Goods and collecting or procuring payment or documents relating to the Goods.*

*Freight Forwarding Services also include logistical services with modern information and communication technology in connection with the carriage, handling or storage of the Goods, and de facto total supply chain management. These services can be tailored to meet the flexible application of the services provided.”*

Definition by the International Federation of Freight Forwarders Association (FIATA).<sup>1</sup>

## 3.2 The consequences of increasing market integration

“Freight forwarding” is commonly used as an umbrella term covering all logistical activities required for the cross-border transportation of goods.<sup>2</sup> The broadening use of this term to cover all manner of related services may be due to a trend towards consolidation within the industry, both in terms of the services themselves and the companies that provide them. Freight forwarders are increasingly not just acting as an intermediary between shippers and transportation companies but as a one-stop-shop overseeing the entire transportation process. As the FIATA definition above states, freight forwarding now includes “de facto total supply chain management” and “tailored” service packages.

As the scope of freight forwarding expands, it overlaps with services traditionally provided by other actors in the industry as defined in greater detail in Annex 1:

- Third-party logistics providers (3LPs) cover the entire supply chain and deal with the carrier, cover storage (selecting a good warehouse for goods before and after shipping), packing (making sure products are prepared efficiently before shipping) and distribution.<sup>3</sup>
- Fourth-party logistics providers (4LPs) are companies that “integrate and assemble resources, capabilities, and technology of its own organization and other organizations to design, build, and run comprehensive supply chain solutions”.<sup>4</sup>
- Other actors performing the same or similar roles as freight forwarders are variously described in different countries’ laws as: non-vessel operating common carrier (NVOCC),<sup>5</sup> multimodal transport operator,<sup>6</sup> cross-border transporter, and remover.

<sup>1</sup> [https://fiata.com/uploads/media/CL0406\\_11.pdf](https://fiata.com/uploads/media/CL0406_11.pdf).

<sup>2</sup> In contrast, transport logistics within a country across different modes of transportation is mostly handled by freight agents.

<sup>3</sup> PROTRANS Final Report (Annexe 2: Definition of 3LPs, page 157-158).

<sup>4</sup> As defined and trademarked by Andersen Consulting (since renamed as Accenture) in 1996.

<sup>5</sup> 19 CFR §4.7(b)(3)(ii)

<sup>6</sup> Definition under Article 1(2) of the UN Convention on International Multimodal Transport of Goods 1980.

Most of the top players in the global freight forwarding market (see section 4.1) are also third-party logistics providers.

This lack of clarity and consistency in terminology and tasks makes regulatory frameworks for the freight forwarding and logistics services industry often opaque, hindering IWT enforcement efforts at the national and particularly the international level.<sup>7</sup>

On the other hand, the increasing integration of services and the companies providing them has two positive implications for practitioners involved in counter-IWT efforts.

- First, it reduces the long-standing problem of industry fragmentation (see section 4.3), which causes responsibility and liability to be split between many different smaller actors performing different tasks in the chain.
- Secondly, it means that some of the larger players covering the entire supply chain have a bird's eye view of the entire transport supply chain and each stage along the way. This makes them a rich source of data on supply chains and transportation routes that could be helpful to intelligence and law enforcement efforts.

### **3.3 Services and risks involved in cross-border transportation**

From the perspective of counter-IWT efforts, whatever the definitions, all individuals and companies performing services related to the cross-border transportation of goods are vulnerable to corruption and other risks that may affect their exposure to IWT. It is acknowledged that in some instances the industry is misused by criminals and may be unwittingly facilitating illegal trade flows involving wildlife. In other situations, rogue employees engage in activities that enable IWT. Then there are likely to be some local transport firms that base part (or all) of their business model on IWT – though this is speculative. They are all however, subject to laws on corruption, smuggling, organised crime and money laundering and may be exposed to these laws and standards in multiple jurisdictions.

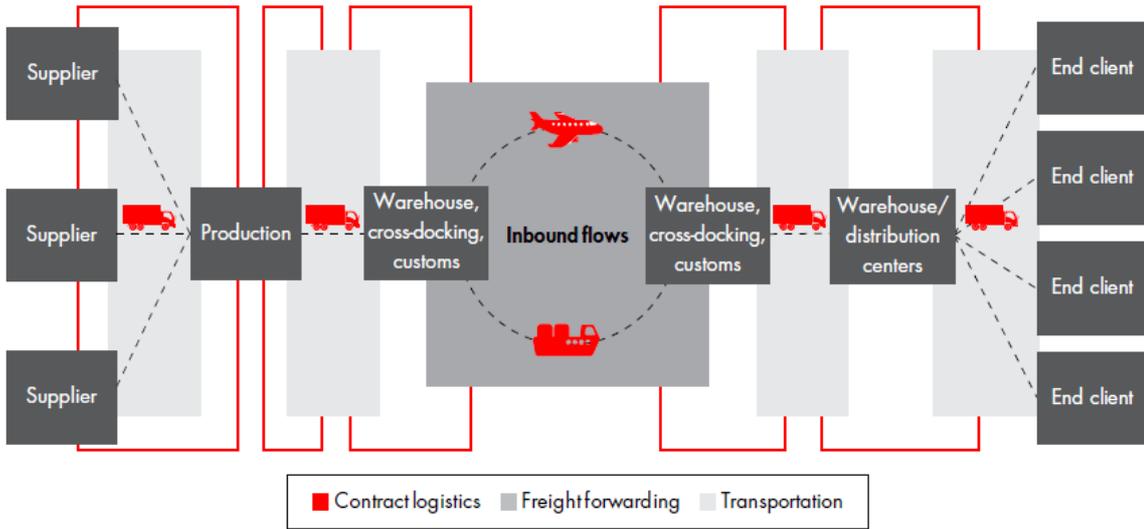
For this reason, we believe it is sensible to take the focus away from strict definitions and onto the services that are involved and the main players performing them. Understanding the risks and exposures relating to the nature of these services will help to clarify the role that the industry can play in addressing IWT, in the absence of clear IWT-specific legal deterrents.

Figure 1 shows how outsourced logistics activities are connected along the supply chain and where they overlap.<sup>8</sup> Freight forwarding activities often extend into services associated with contract logistics, such as warehousing and cross docking, while contract logistics firms often also take on responsibility for local distribution and transportation of cargo.

---

<sup>7</sup> <http://documents.worldbank.org/curated/en/596121467991936178/pdf/WPS7401.pdf>  
<sup>8</sup> <https://www.bain.com/insights/challenges-and-winning-models-in-logistics/>

Customers' supply chain and logistics segments



Source: Bain & Company

Figure 1: Outsourced logistics activities

Figure 2 shows a 2019 snapshot of services typically outsourced to logistics providers.<sup>9</sup>

FIGURE 4: SHIPPERS CONTINUE TO OUTSOURCE A WIDE VARIETY OF LOGISTICS SERVICES

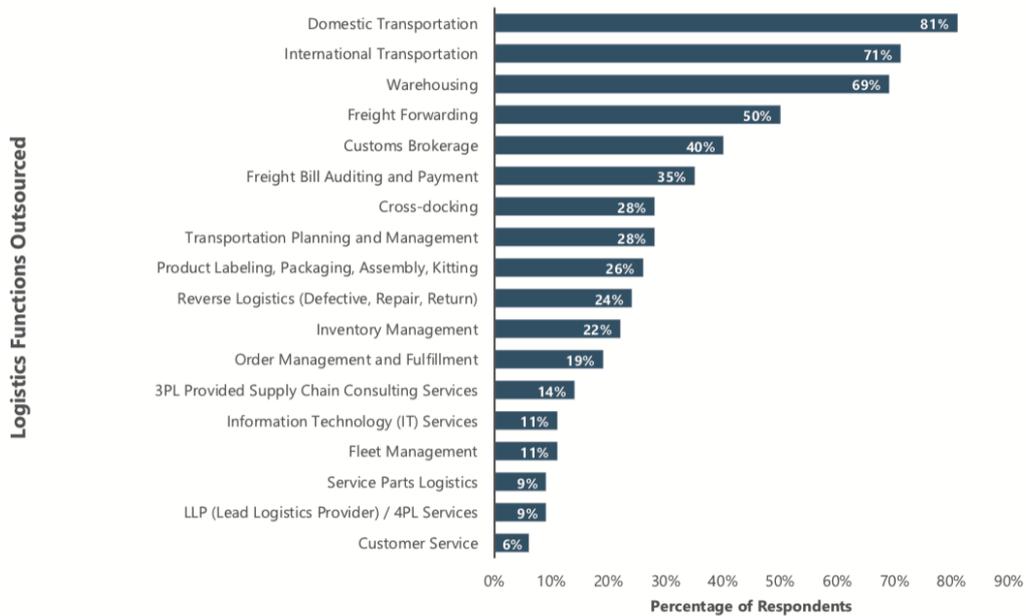


Figure 2: Services typically outsourced to logistics service providers

<sup>9</sup> 2019 23rd Annual Third-Party Logistics Study: The State of Logistics Outsourcing,” C. John Langley Jr. and Infosys, (p.9). <https://kpublic.s3-us-west-2.amazonaws.com/2019-logistic-study.pdf>

The chart demonstrates first the very wide range of services entrusted by shippers to third parties in order to get their goods across a country's border.

The more services are entrusted to third parties, the harder it is for companies to control the risks of corruption when these services are performed. This is backed up by a 2019 survey that indicates the main reasons shippers choose *not* to use third-party logistics service providers: shippers primarily fear the loss of control over outsourced functions.<sup>10</sup> According to the survey, they also feel they have more on-the-ground logistics expertise and/or don't believe they could achieve significant cost reductions or service-level commitments.

Secondly, the figure shows that besides traditional freight forwarding services, some or all of the following are typically outsourced: transportation, warehousing, freight bill auditing/payment and product labelling, packaging, assembly and kitting. These services increase the employees' exposure to the goods and to the risk of bribery to turn a blind eye to trafficked wildlife products or to falsify documentation.<sup>11</sup>

Thirdly, it indicates that customs clearance is also typically outsourced to third-party brokers.

### 3.4 What happens at customs?

A customs broker, also known as a customs clearing agent, is a "person who carries on the business of arranging for the Customs clearance of goods and who deals directly with the Customs for and on behalf of another person."<sup>12</sup> These individuals deal with both imports and exports, putting them in a powerful position to help stop illegal goods such as wildlife products from entering or leaving the country.

Customs brokers have a dual role. On the one hand, they support private-sector clients by providing the required documentation and undertaking formalities related to cargo clearance. On the other, they are expected to maintain government interests by verifying compliance with customs and other regulatory requirements and by ensuring the appropriate duties and taxes are collected.<sup>13</sup>

They also collaborate with other actors in the supply chain on behalf of traders, such as freight forwarders, carriers/agents, warehouse operators, and transporters. In some cases, customs brokers have even expanded to provide other services in the supply chain, such as cargo handling, warehousing, multi-modal transport carriage, packaging, and consolidation.<sup>14</sup> This reflects the service integration that, as mentioned in Section 3.2, is happening at all levels in the industry.

The use of customs brokers – whether individuals or companies – to clear goods for cross-border transportation is still a legal requirement in the Americas, Caribbean and many African countries.<sup>15</sup> As these brokers interact with governments and represent their interests, licensed custom brokers are more heavily regulated than other industry actors. Most countries require them to be registered with the relevant government authority and to meet specific regulatory and licensing requirements. These include knowledge of customs laws and clean track records in terms of security and other compliance matters.

---

10 Ibid, p.11

11 <https://www.marsh.com/us/insights/research/third-party-logistics.html>

12 World Customs Organization Glossary of International Customs Terms, <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/glossary-of-international-customs-terms/glossary-of-international-customs-terms.pdf>

13 <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/study-report-on-customs-brokers/wco-study-report-on-customs-brokers.pdf?la=en> (p.2)

14 Ibid

15 Ibid p.9

In some countries, the requirements also extend to obligations with respect to business ethics and professional conduct.<sup>16</sup>

The consequences for non-compliance with the licensing requirements vary from country to country and include suspensions, termination of the license, fines and even criminal charges. These apply to customs brokers and related third parties found to be in violation of these requirements.

Freight forwarders can register as customs brokers as well and/or work closely together with partner brokers to facilitate cross-border trade for their clients.

Due to their critical role in the movement of goods and their position between government authorities and private-sector clients, customs brokers can potentially play a powerful role in collective counter-IWT efforts.

### How a major Swiss logistics provider used bribery to obtain preferential customs, duties and import treatment

The 2010 USD 81.9 million settlement for violations of the US Foreign Corrupt Practices Act (FCPA) by Panalpina, a Swiss globally operating freight forwarding and logistics service provider, revealed the existence of an elaborate bribery scheme.<sup>17</sup> The scheme implemented by Panalpina involved obtaining preferential customs, duties and import treatment for the international freight shipments of their customers. Specific locations included Nigeria, Angola, Brazil, Russia and Kazakhstan.

Panalpina's customers often faced delays in the importing process in the above-mentioned jurisdictions for a variety of reasons ranging from delayed departures, incorrect or insufficient documentation, type of cargo shipped, and the refusal of local officials to provide services without facilitation payments. Additionally, some customers also sought to avoid local customs duties or to bypass inspections and local laws.

To secure this preferential treatment, Panalpina's customers authorised Panalpina and other Panalpina Group members to bribe foreign public officials on their behalf. Panalpina Group companies later invoiced their customers for bribes which were concealed as legitimate service fees.

---

The details of the Panalpina case reveal how transport companies and other customers of freight forwarders and logistics service providers rely on the local network of freight forwarders for the import process, especially when it comes to customs (in this case illegal), to ensure timely and efficient customs procedures allowing companies to deliver their goods on time.

It also shows the heightened corruption risk that exists in the interface of customs brokers and freight forwarders with customs authorities and public officials.

---

<sup>16</sup> Ibid p.20

<sup>17</sup> <https://www.sec.gov/litigation/litreleases/2010/lr21727.htm>

# 4 Market overview

In order to effectively identify how the logistics industry can be activated to take on a more prominent role in addressing IWT, it is helpful to look at market shares and dynamics.

## 4.1 Size and market share

The cloudiness of definitions in the logistics industry, as well as the above-mentioned trend towards consolidation of companies and service provision, make statistics difficult to pin down. Nevertheless, the freight forwarding market alone is estimated to have an annual global revenue of over USD 159 billion and a compound aggregate growth rate (CAGR) of 4.1% (2015-2020).<sup>18</sup> The wider third-party logistics market – including freight forwarding – was estimated at over USD 1 trillion in 2019.<sup>19</sup>

Zooming in on freight forwarding helps us get a clearer picture of the main industry players involved in facilitating cross-border trade. As mentioned above, freight forwarding is often described as a fragmented market, with thousands of actors that offer a wide range of logistics services. These actors range from individual freight agents or customs brokers to huge multinational third-party logistics providers. Despite the large numbers of actors in the market, however, Figure 3: Global forwarding forwarders’ market share indicates that 43.5% of the global market is controlled by the 10 largest freight forwarders and almost 60% of the market is controlled by the top 20 companies.<sup>20</sup>

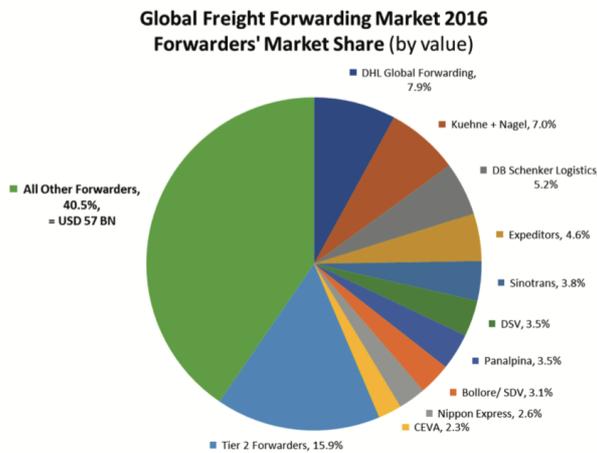


Figure 3: Global forwarding forwarders’ market share

An updated market analysis from 2018, displayed in Table 1 ranks the top 10 global freight forwarders. The ranking is based on a combined overall average of their individual rankings for gross revenue, ocean TEUs and air metric tons.<sup>21</sup>

18 <https://www.bifa.org/news/articles/2019/may/global-freight-forwarding-market-forecast-to-grow-at-a-cagr-of-4-to-45-until-2020>  
 19 <https://www.gminsights.com/industry-analysis/third-party-logistics-3pl-market-size>  
 20 <http://focusedcargonet.com/download/Focused-Whitepaper-Global-Freight-Forwarding.pdf>  
 21 <https://www.3plogistics.com/3pl-market-info-resources/3pl-market-information/aas-top-25-global-freight-forwarders-list/>

Rank	Provider	Gross Revenue (US\$ Millions)*	Ocean (TEUs)	Air (Metric Tons)
1	DHL Supply Chain & Global Forwarding	28,120	3,225,000	2,150,000
1	Kuehne + Nagel	25,320	4,690,000	1,743,000
2	DB Schenker	19,968	2,203,000	1,304,000
3	DSV	12,411	1,442,348	689,045
4	Sinotrans	10,549	3,740,000	530,100
5	Expeditors	8,138	1,167,820	1,011,563
6	Panalpina	6,156	1,484,100	1,038,700
7	Nippon Express	18,781	686,206	899,116
8	UPS Supply Chain Solutions	9,814	600,000	935,300
8	Bolloré Logistics	5,415	873,000	690,000
9	C.H. Robinson	16,631	1,000,000	225,000
10	CEVA Logistics	7,356	786,600	476,600

Table 1: A&amp;A's Top Global Freight Forwarders List (2018)

It appears that there are no global monopolies, with the biggest player being DHL Global Forwarding with (according to Figure 3) less than 8% share. Despite the appearance of a relatively dispersed and balanced market, however, in 2012 the European Commission fined 14 market players EUR 169 million for anti-competitive behaviour.<sup>22</sup> Amongst others, DB Schenker, Kuehne + Nagel and Panalpina were found guilty of operating four price-fixing cartels. The existence of cartels tends to indicate a relatively constant market positioning among the leading players, which enables them to create a monopoly-like power structure in the market.<sup>23</sup>

For the purpose of engaging the industry in IWT responses, a stable group of market leaders in an industry makes it easier to identify the group of players that are in a position to influence industry standards and enables a more strategic outreach to companies and or industry associations.

## 4.2 Regional distribution

As shown in Figure 4,<sup>24</sup> over 86% of the global freight forwarding market value by region is concentrated between Europe, Asia Pacific and North America. Regional trade flows of goods mirror this pattern.<sup>25</sup> Sub-Saharan Africa, as a high-risk IWT source region, only accounts for 1.6% of the global freight forwarding market.

22 European Commission press release (28 March 2012). "Antitrust: Commission imposes € 169 million fine on freight forwarders for operating four price fixing cartels." [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_12\\_314](https://ec.europa.eu/commission/presscorner/detail/en/IP_12_314).

23 Grout, Paul A, and Sonderegger, Silvia, Predicting Cartels, Economic Discussion Paper, 2005, Office of Fair Trading.

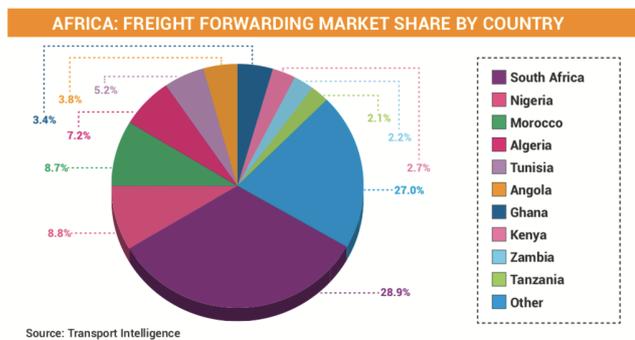
24 <http://focusedcargonet.com/download/Focused-Whitepaper-Global-Freight-Forwarding.pdf>.

25 Ibid.



Figure 4: Global Freight Forwarding 2017, Ti (Transport Intelligence), June 2017

Within the African market, Figure 4 indicates that South Africa accounts for almost a third of the continent’s freight forwarding market, followed by Nigeria with 8.8% and the North African countries with a combined share of 21.1%.<sup>26</sup>



Source: Transport Intelligence

Figure 5: African freight forwarder market share by country

Although Africa is currently a small part of the industry, it holds significant growth potential. Globally operating companies are striving to enter the market and establish a presence as an investment in the future.<sup>27</sup> Although Sub-Saharan Africa has one of the lowest Logistics Performance Index (LPI) scores,<sup>28</sup> it also accounts for five of the fastest-growing economies in the world according to the IMF.<sup>29</sup> While some companies still see many of the African countries as frontier markets, most of the top global freight forwarders are already represented through their local subsidiaries.

26 <https://www.combinedlogisticsnetworks.com/download/CLNwhitepaper-9.pdf>.

27 Agility Emerging Markets Logistics Index 2018, p.71.

28 Global Rankings 2018.

29 World Economic Outlook (April 2020) - Real GDP growth.

China is Africa's largest trading partner, with Chinese state-owned enterprises extracting mainly natural resources, gas and oil, refined and unrefined metals, and timber.<sup>30</sup> This is relevant as the trade routes between East Africa and Asia, but more specifically China, bear some of the highest risks related to IWT.<sup>31</sup> As section 5.1 further elaborates, IWT trafficking networks tend to utilise legitimate trade routes to conceal illegal wildlife products often without the knowledge of the companies involved in the transporting process. Large flows of goods between the two regions make it easier to conceal illegal wildlife products in shipments and increase the risk exposure of companies facilitating that flow.

Intra-African trade is increasing as barriers to trade reduce, for example, due to the 2018 African Continental Free Trade Agreement (AfCFTA) that is currently supported by 44 African countries. By the end of 2018, only 15% of African exports went to other African countries. If the AfCFTA is fully implemented, it promises to unlock economic potential by boosting intra-regional trade by up to 52.3% by 2020.<sup>32</sup>

An increase in intra-African trade may also change the nature of the freight forwarding and logistics industry in the region. The African freight forwarding market is currently dominated by the global main players. Bollore Africa Logistics, a French logistics company, takes the top spot, followed by Kuehne and Nagel, DHL, Maersk and DSV Panalpina, CEVA and DB Schenker.<sup>33</sup> There are however differences from country to country. For example, the South African and Kenyan markets are dominated by the global players, while logistics in Uganda is largely covered by small local providers.<sup>34</sup>

Smaller-scale trade within countries and the region is more fragmented and largely carried out by local freight agents and customs brokers, while larger-scale international trade is mainly performed by global players. An increase in intra-African trade may, therefore, lead to global operators having less influence on the market, which will affect strategic interventions aimed at reducing exposure to IWT.

### 4.3 Industry consolidation

Consolidation is a big trend in the industry, especially for high-volume trade regions such as Europe, the US and Asia, as it offers economies of scale and if needed greater exposure to global markets. Some experts refer to this trend as a self-fulfilling prophecy, as companies strive to acquire end-to-end capabilities out of fear of being left behind and no longer being able to operate competitively.<sup>35</sup> The trend of larger companies acquiring smaller companies that add specific additional assets, expertise and capabilities shows no signs of slowing down, as the Panalpina and DSV merger in 2019 exemplifies.<sup>36</sup> These mergers and acquisitions have led to more logistics capacity being controlled by fewer companies.

Consolidation, however, is not advancing with the same speed across the globe. There is still an important niche for small and medium-sized freight forwarders and logistics providers with local market knowledge, networks, and the flexibility to respond to changing market conditions. This is particularly the case for small-scale regional trade in developing countries, as referred to above.

From the perspective of counter-IWT efforts, this has three main consequences:

---

30 [https://unctad.org/en/Docs/iteia20071\\_en.pdf](https://unctad.org/en/Docs/iteia20071_en.pdf).

31 <https://www.traffic.org/what-we-do/projects-and-approaches/trade-monitoring/>.

32 Africa Freight Forwarding Market to Reach around USD 40 billion.

33 African freight forwarding outlook to 2023, Oct. 2019, Ken Research.

34 Ibid.

35 Top 25 Freight Forwarders in 2018: Blending art and science.

36 DSV-Panalpina Merger Could Spark More Deals in Fragmented Freight Forwarding Sector.

- Companies that offer end-to-end logistics services have oversight over the entire transport supply chain and are therefore far better equipped to support interventions aimed at mitigating the risks. This support could include co-creating industry standards that make sense, and/or cooperating more proactively with IWT intelligence and law enforcement activities.
- Legal liability for compliance with anti-trafficking and anti-corruption laws is clearer when a single company controls the transport supply chain.
- Where logistics services are split among multiple smaller providers and individuals, as is still the case for much regional cross-border trade in East Africa and Asia, it is extremely difficult to implement an effective intervention. It may be more fruitful for IWT interventions to target, at least initially, transport hubs where goods are shipped internationally by global companies.

## 5 Risk overview

The aim of the analysis below is to identify where freight forwarders and other logistics providers can come into contact with IWT, what the associated risks are, and how they can be mitigated. This will help create a baseline for dialogue between counter-IWT practitioners and the industry.

### 5.1 Key IWT-related risks

#### 5.1.1 Illegal products entering shipments during the stuffing phase

Seizures and research have shown that traffickers mainly use container shipping to transport bulky illegal wildlife products such as ivory tusks, timber and pangolin scales. Once a cargo container is sealed, it is usually not opened until arrival at its destination unless it is opened by customs or other empowered government bodies. This means that there is a high risk of illegal wildlife products entering the supply chain during the container stuffing phase.

If the stuffing and sealing of the container is done at the premises of the shipper – the trader or manufacturer – the freight forwarder or other logistics provider is only responsible for inspecting the condition of the sealed container to ensure it is fit for travel. However, the stuffing of the containers may also be outsourced to the provider and take place at its own warehousing facilities. There are two risks here:

- First, employees of either party could be bribed into turning a blind eye or actively packing illegal wildlife products in with other goods.
- Second, the premises used for stuffing – either the shipper’s or the logistics provider’s – are often not secured locations. This opens up opportunities for traffickers to introduce illegal wildlife products secretly into the cargo.

#### 5.1.2 Legal liability and financial penalties

Freight forwarders or logistics services providers may be held accountable for illegal products entering the cargo if they fail to adequately ensure the safety and integrity of the stuffing process and/or fail in other matters related to diligence on the cargo they handle.

### Freight forwarder fined in Singapore for not flagging weight discrepancy

In 2015, customs authorities in Singapore intercepted a shipment that contained elephant ivory and pangolin scales estimated to be worth just over SGD 1.3 million (USD 0.91 million). The trader declared that the shipment contained a load of synthetic wigs, but the weight of the cargo exceeded 800 kg. The court found that the discrepancy between the reasonably expected weight of the cargo declared and the weight of the actual cargo shipped should have been identified and flagged by the freight forwarder.

Despite the full cooperation of the freight forwarder with Singaporean authorities during the investigation, the company was fined for failing to ensure that the shipment did not contain contraband. The authorities made sure to remind all “shipping, transport, logistics and freight forwarding companies to be prudent and exercise caution when accepting shipping and freight assignments to ensure that their companies are not implicated in wildlife trafficking.”<sup>37</sup>

---

Whether or not logistics providers have legal liability for contraband in cargo is a grey area and depends on the services performed and the level of responsibility taken on by the provider for the cargo and its physical inspection.

### A case in Denmark illustrates the difficulties in determining liability

A 2014 case before the Danish Maritime Commercial High Court<sup>38</sup> illustrates the difficulties involved in determining liability in an industry where there is overlap in the types of services provided along the supply chain. The case concerned a Danish freight forwarder that was engaged by a Turkish transport company to carry liquid soap from Turkey to Denmark. The freight forwarder contracted a fellow Danish carrier to transport the cargo. During a customs check at the Bulgarian border, 11,000 bottles of smuggled perfume were found hidden in the cargo. The parties disagreed on who was liable for the extra costs incurred because of the six-month detention of the truck and trailer at the border.

The Maritime Commercial High Court found the freight forwarder was the contracting entity in relation to the carrier and as such liable for the loss incurred by the carrier. This is despite the fact that the Turkish transport company was named as the "sender" in the consignment note. This illustrates the different roles a freight forwarder can have in different contractual relationships. In relation to the Danish carrier the freight forwarder was the "sender", but in relation to the Turkish transport company the freight forwarder was "the carrier".

These distinctions are crucial as they determine liability under the (in this case) applicable Art 7 of the CMR Convention, that imposes strict liability on the "sender" for any losses resulting from inaccurate information on official documents.<sup>39</sup> The Convention on the Contract for the International Carriage of

---

<sup>37</sup> <https://www.straitstimes.com/singapore/air-shipment-of-illegal-ivory-and-pangolin-scales-worth-13-million-seized>

<sup>38</sup> <https://www.internationallawoffice.com/Newsletters/Shipping-Transport/Denmark/Birch-Windahl/Strict-liability-for-shipper-of-undeclared-perfumes-under-CMR#Decision>

<sup>39</sup> <https://www.jus.uio.no/lm/un.cmr.road.carriage.contract.convention.1956/doc.html#50>

---

Goods by Road (CMR) is a UN Convention that has been ratified by 45 states and governs legal issues of cross border road transportation of goods.<sup>40</sup>

---

The legal status and liability for the goods transported in case of loss or damages depends on whether the service provider is categorised as an agent or as a principal. Acting as a “principal” entails taking responsibility for the whole process of shipment. An "agent" acting on behalf of the principal does not take on the carrier’s liability.<sup>41</sup>

Even for providers acting as a principal, the legal risks currently appear to be low. For example, a case brought before the Singaporean court of appeals in 2019 concerned the illegal transportation of fake designer goods via Singapore. The cargo needed to be reloaded for further transportation and the reloading was overseen by a local freight forwarding company (Megastar). The court held that there was no evidence that the freight forwarder had reason to believe that trademarked luxury items were inside the sealed shipment, “as the documents provided indicated only household goods and other generic merchandise where being transported and there was no evidence that luxury products were included in the cargo.”<sup>42</sup>

Monetary fines or other sanctions for freight forwarders/logistics providers for a lack of diligence in IWT cases are rare and don't frequently make the headlines. The financial implications have also been negligible. If a freight forwarding company was found to be co-opted by a criminal network to the extent that it can be considered to be an arm of the criminal syndicate, and this criminal activity is part of the business case of the company, then much higher fines could apply.

However, financial sanctions may well increase as countries strengthen their wildlife legislation. Current intelligence indicates that the covid-19 outbreak and its probable link to IWT will speed up this process.<sup>43</sup>

### **5.1.3 Contractual penalties not covered by insurance**

Despite the low fines, there is a significant financial risk associated with IWT threats for freight forwarders that stuff and seal cargo for their customers. This relates to contractual penalties paid to customers in the event of a delay due to negligence.

3LPs and consolidated freight forwarders are responsible for overseeing the entire transport supply chain and taking on the responsibility for transporting the cargo within a carefully calibrated timeframe. Today it is commonplace for traders to pay large penalties to their customers in the case of delayed delivery of goods. For example, logistics provider Kuehne + Nagel’s full container service solution includes a lead-time guarantee backed up by a 100% money-back guarantee in case of delays.<sup>44</sup>

This risk is passed onto the freight forwarder/logistics provider and has led to the development of a specialised insurance industry to protect these from financial loss due to e.g. damage and loss of cargo, but also financial loss incurred as a consequence of late delivery due to unforeseeable circumstances.

---

40 [https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=XI-B-11&chapter=11&clang=\\_en](https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XI-B-11&chapter=11&clang=_en)

41 <http://documents.worldbank.org/curated/en/596121467991936178/pdf/WPS7401.pdf> - Schramm 2012

42 <https://www.straitstimes.com/singapore/courts-crime/freight-forwarder-cleared-of-shipping-fakes>

43 Special analysis: How will covid-19 impact illegal wildlife trade? <https://www.baselgovernance.org/publications/special-analysis-how-will-covid-19-impact-global-wildlife-trafficking>

44 [https://www.kn-portal.com/seafreight/kn\\_pledge\\_fcl/](https://www.kn-portal.com/seafreight/kn_pledge_fcl/)

However, the insurance will not cover financial loss due to negligent behaviour on the part of the provider. If illegal wildlife products or other contraband have entered the cargo due to the negligence and lack of oversight of the provider, any resulting financial loss will not be recoverable under their insurance policy.

If illegal or dangerous goods are identified, the cargo can be detained by law enforcement until they have concluded their investigation, which can take months. The financial loss due to the extended transit time has to be covered by the freight forwarder/logistics provider.<sup>45</sup> Additionally, some jurisdictions such as the US, Malaysia, Cambodia, and Zimbabwe allow for the seizure of all of the transported assets used to smuggle wildlife.<sup>46</sup> This could require the freight forwarder to also compensate the customer for the full value of the cargo.

As there is little to no research to date on the financial risk and costs incurred due to delayed transportation as a result of IWT seizures beyond the fines of the cases described above, it is difficult to estimate the exact level of risk for freight forwarders and logistics providers in this regard. It is, however, clear that there will be increased pressure to tighten up internal controls to ensure there are no unnecessary delays due to negligence.

#### **5.1.4 Health and safety risks**

Handling illegal wildlife products, knowingly or unknowingly, can pose significant health and safety concerns for employees handling the cargo. The lack of proper screening and safety protocols for smuggled wildlife products increases the risk of contracting and spreading diseases.

The smuggling of avian influenza-infected birds of prey into Europe and the role of civet cats in the SARS pandemic, plus the role of dromedary camels in the MERS outbreak in the Middle East, have demonstrated how IWT can lead to an outbreak of zoonotic disease.<sup>47</sup> Most recently, the covid-19 pandemic has also been linked to IWT: researchers in Hong Kong and China have found two types of coronaviruses in pangolin samples from anti-smuggling seizures (2017-2019) closely related to covid-19. Pangolins are the most trafficked mammal in the world, with its meat considered a delicacy in parts of Southeast Asia and Africa and its scales used in Traditional Chinese Medicine.<sup>48</sup> And while there is no scientific consensus on how the virus was transmitted to humans, experts urge "considerable caution" when handling pangolins to minimise the risk of exposure to such viruses.<sup>49</sup>

#### **5.1.5 Co-optation of employees by trafficking networks**

Unlike the South American drug cartels that have developed their own transportation methods,<sup>50</sup> IWT trafficking networks tend to exploit legitimate transportation companies to move their products.<sup>51</sup> Research suggests that most companies are unaware of the contraband they carry because it has not been disclosed to them, or it has been falsely declared.<sup>52</sup> Co-opting employees to bypass internal procedures has also been identified as an effective strategy for trafficking networks.<sup>53</sup>

---

45 [Judgment of the Maritime and Commercial High Court, 2 May 2014, case no. H-57-12]

46 <https://fiata.proversity.org/courses/course-v1:FIA+TRA001+2019/about>

47 Emerging Infectious Diseases Vol.19.No.6. 2013, p.856

48 <https://globalstory.pangolinreports.com/#lede>

49 <https://www.rte.ie/news/2020/0331/1127645-was-the-pangolin-the-source-of-the-covid-19-outbreak/>

50 <https://www.cfr.org/background/mexicos-drug-war>

51 <https://www.unodc.org/e4j/en/wildlife-crime/module-1/key-issues/locations-and-activities-relating-to-wildlife-trafficking.html>

52 <https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/56af8242cf80a1474b572b85/1454342724100/Species+of+Crime.pdf>

53 OECD (2019), The Illegal Wildlife Trade in Southeast Asia, Institutional Capacities in Indonesia, Singapore, Thailand and Vietnam, Illicit Trade, OECD Publishing

It is well documented that many of these trafficking networks use the same channels to smuggle other contraband such as drugs and weapons, which increases security risks for freight forwarders.

### **5.1.6 Risks posed by customers and document fraud**

The use of fraudulent documents to conceal illegal wildlife products by traders is another risk faced by freight forwarding and logistics companies. This includes amending and tampering with documents such as the maritime bill of lading, road consignment or air waybill. All such export documents require the trader to clearly identify the type of cargo being transported.

According to the World Customs Organization, the main incentive to commit document fraud in international shipping is to evade customs duties and tax payments, or to circumvent shipping restrictions and sanctions.<sup>54</sup> Fraudulent shipping documents pose a heightened legal risk for customs brokers; as mentioned in Section 3.4, they are more heavily regulated than other actors in the chain and in many IWT source countries are still a requirement by law for the import and export of goods.

Although shipment documents are issued and checked by different actors in the transport supply chain, ultimately fraudulent documents at the beginning of the supply chain are simply adopted by others. This makes them hard to detect further along the transport route.<sup>55</sup> For this reason it is essential that the stakeholders that are responsible for information that enters the supply chain and official documents diligently check them for any signs of document fraud.

### **5.1.7 Rising risk levels in the future?**

The level of IWT risk to freight forwarding and logistics providers largely depends on the effectiveness of enforcement measures by customs, border and tax authorities as well as law enforcement authorities in the source, transit and destination countries. These enforcement measures may now strengthen as a result of wider political factors. IWT has increased in visibility in the past decade, moving from a purely conservation discussion to increasingly highlighting other negative outcomes beyond the reduction in biodiversity.<sup>56</sup> Most notably, it has made recent headlines because of the close association of the consumption of illegal wildlife products with the coronavirus pandemic.<sup>57</sup>

These types of external shocks have shown in the past to have the ability to catalyse responses by countries and the international community to what traditionally have been contentious topics or politically overlooked issues. For example, consider the increase in trade security following 9/11 which was implemented not only by the US but many countries across the world.<sup>58</sup>

And while 9/11 is not directly comparable to the circumstances surrounding IWT and the covid-19 pandemic, it does demonstrate that despite the usual slow pace of policy development and implementation, external factors can dramatically speed up these processes when governments decide

---

<sup>54</sup> [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr\\_2012\\_en.pdf?db=web](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/enforcement-and-compliance/activities-and-programmes/illicit-trade-report/itr_2012_en.pdf?db=web)

<sup>55</sup> Hesketh, D.: Weaknesses in the supply chain: who packed the box. World Customs Journal 4(2), 3–20 (2010)

<sup>56</sup> Working Paper 32 <https://www.baselgovernance.org/publications/working-paper-32-private-sector-engagement-fight-against-illegal-wildlife-trade>

<sup>57</sup> <https://www.baselgovernance.org/blog/coronavirus-wake-call-illegal-wildlife-trade>

<sup>58</sup> [http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/research/research-paper-series/18\\_cscsp\\_911.pdf?la=en](http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/research/research-paper-series/18_cscsp_911.pdf?la=en)

to prioritise action. China and Vietnam have already announced bans on the trade and consumption of wildlife and more traditional demand countries are expected to follow suit.<sup>59</sup>

This could lead to a drastic change in the risk level that the freight forwarders and other logistics providers face in relation to IWT and should be taken into account in the future development of compliance in the industry.

## **5.2 Risk mitigation measures**

### **5.2.1 Increase oversight over employees**

Companies should consider strengthening oversight over employees, procedures and operational systems based on risk indicators. For example, if employees try to bypass internal approval procedures or insist on working particular shifts or on certain customer accounts, or deploy phrases that are imprecise euphemisms, these scenarios should be examined and determined whether they might indicate collusion with an external party such as a customer, or government official.

### **5.2.2 Increase security and training around the stuffing and sealing of containers**

Increasing the security measures around the stuffing of containers mitigates the risk of illegal wildlife products from entering the supply chain. This might include enhancing the security of warehouses and boosting supervision.

Besides increased security, training for employees in charge of stuffing the containers to identify wildlife products can also reduce the risks outlined above. For example, it is a known trafficking strategy to smuggle ivory tusks in hollowed-out timber.<sup>60</sup> This will change the appearance of the product and also affect the weight. If employees are sensitised to this and similar threats, companies can showcase that they are taking reasonable precautions to address this risk.

Employees that only inspect the physical condition of a sealed container can still play an important role if they are trained to identify IWT red flags in their work. An obvious example is a discrepancy between the expected weight of the products declared in the shipping documentation and their actual weight.

Once suspicion has been raised, a clearly communicated reporting protocol needs to be in place to communicate the risk internally and ultimately to law enforcement.

### **5.2.3 Take a risk-based approach to due diligence**

It is unfeasible to expect providers to perform enhanced due diligence on each and every shipment. Using a risk-based approach allows them to focus on high-risk shipments. Red flags that could trigger enhanced procedures include:

- Cargo that contains (a) live legal animals (b) foil-wrapped cargo (c) perishable goods (meat/fruit and vegetables) (d) precious stones.
- High-risk geographical transport routes.

---

<sup>59</sup> <https://nypost.com/2020/03/28/china-and-vietnam-finally-ban-wildlife-trade-due-to-coronavirus/>

<sup>60</sup> <https://news.mongabay.com/2018/01/elephant-tusks-and-pangolin-scales-seized-six-suspects-arrested-in-ivory-coast/>

- Source and destination that do not match a common trade route for the product declared.
- Use of a free trade zone, which has simplified import/export, trans-shipment and transit procedures. Such zones have been shown to be attractive transit points for smuggled contraband such as IWT.

There are multiple sources available to keep up to date with IWT threats, including freely available tools listed in Section 5.2.6.

#### **5.2.4 Streamline Know Your Customer (KYC) procedures**

Logistics providers have to be experts in the trade patterns of the regions in which they operate. In order to tailor their services to the market effectively, they also need to be well connected with other stakeholders in the transport industry and understand their corresponding requirements. This puts them in a unique position to understand import and export trends at a macro level, which should enable them to identify any anomalies in:

- products that don't fit the normal trade patterns (e.g. plastic manufactured products exported from Africa to China);
- weight and packaging requirements that are unusual;
- patterns and behaviours of shippers (traders or manufacturers) themselves;
- issues with the information and documents provided by the customer.

This knowledge should help companies streamline their KYC procedures. Some voluntary industry guidance on KYC procedures for maritime operators already exists to prevent the maritime transportation of counterfeited goods,<sup>61</sup> an issue closely connected to IWT. Often the same tactics and trade routes are used for smuggling a variety of illegal goods such as counterfeits, weapons, narcotics and illegal wildlife products. Using existing guidance and principles and extending or tailoring them to IWT-specific risks can increase the effectiveness of due diligence/KYC without the need to reinvent the wheel and develop cost-intensive new policies and control functions.

Some red flags identified include, for example:<sup>62</sup>

- Companies should be especially diligent with first-time shippers and in particular with “walk in” shippers with a time-sensitive request, as this is a common tactic used by traffickers to cut down the time to conduct effective customer due diligence.
- Traffickers also tend to choose “delivered in” shipment methods where the customer delivers the shipment to conceal the true nature of their business. In these cases it is important to verify their business address.
- Companies can further mitigate customer risk by activating their industry network to verify the legitimacy of a new customer.
- Further red flags include attempts to pay for a large shipment in cash, which raises multiple concerns around money laundering and tax issues as well as IWT, and any requests that don't make financial sense such as “priority express” freight transport costing over USD 500 for a shipment with a declared value of USD 250.

---

<sup>61</sup> <https://iccwbo.org/content/uploads/sites/3/2018/03/kyc-paper-doi-published.pdf>  
<sup>62</sup> FIATA/TRAFFIC Prevention of Wildlife Trafficking course for freight forwarders, 2019

### 5.2.5 Implement processes to flag fraudulent documents

The preparation of documents to enable swift cross-border transit is the bread and butter of freight forwarding and logistics. The providers receive a number of documents and information from the shipper and will use this to prepare the required transportation documents. As the risk for wildlife products to enter the supply chain is concentrated in the exporting process out of high-risk source countries, the freight forwarder is usually the first stakeholder to receive the information to prepare these documents and as such plays an important role to prevent fraudulent information being perpetuated along the supply chain.

In order to understand the possible risks for document fraud, it is necessary to analyse the documents and information provided by the shipper and identify any other stakeholder involved in the initial process of developing the export documents. At the most basic level, documents that have been amended and tampered with can often be identified through clear formatting issues and spelling mistakes as well as information that is missing.

Key documents include:

- An export packaging list that itemises each item in the shipment, the type of packaging or container used, as well as gross weight and packaging measurements. Industry knowledge is key to identify any inconsistencies.
- The commercial invoice for the goods that are being shipped. This is used to determine the true value of the goods to accurately assess the customs duty, tax etc. It identifies the name and address of both the buyer and seller, so it should be possible to identify any unusual address and change of address, such as sending goods to a hotel address or a large quantity of goods that are sent to residential addresses. A last-minute or “after-dispatch” change of address may indicate the aim of diverting a shipment to an undeclared recipient and should be flagged by internal controls.
- In some instances an inspection certificate is required, whereby an independent third party certifies the quality and condition of the goods prior to shipment. An inspection certificate can be requested by the buyer to ensure the value and quality of the goods. Many countries also require independent inspection for invoices that are over a certain value threshold.<sup>63</sup> The third party that is inspecting has direct contact with the goods and as such a similar exposure as the employees stuffing the cargo. If they come across any contraband they are required to inform local law enforcement. A valid inspection certificate for a shipment subsequently reduces the level of IWT risks for the freight forwarder or logistics provider.

### 5.2.6 Make use of existing tools and guidelines

Logistics companies, including freight forwarders, can make use of several powerful tools to help mitigate their IWT risk exposure. These include:

- FIATA together with TRAFFIC has developed an online training tool for freight forwarders on IWT-specific risks for the industry.<sup>64</sup>

---

<sup>63</sup> [https://2016.export.gov/wisconsin/documentationforms/eg\\_us\\_wi\\_021109.asp](https://2016.export.gov/wisconsin/documentationforms/eg_us_wi_021109.asp)

<sup>64</sup> <https://fiata.proversity.org/courses/course-v1:FIATA+TRA001+2019/about>

- Online sources that give updated info on trade routes and high-risk products, such as the TRAFFIC TradeMapper<sup>65</sup> and RoutesDashboard.<sup>66</sup> These are open-source tools that enable map-based trade monitoring and help visualise and track evolving IWT trades routes.
- Companies that sign up to the Buckingham Palace Declaration of the United for Wildlife Transport Taskforce can access a closed database of red flags and receive regular intelligence alerts on IWT threats relevant to the transport industry, including logistics providers.<sup>67</sup>
- In 2019, FIATA developed best practice guidance for the prevention of bribery in the industry.<sup>68</sup> Corruption risks are closely connected with IWT risks and strengthening internal controls, monitoring processes and conducting tailored risk assessments will also reduce the risk of IWT.

## 6 Pathways for action

There is clear momentum for the freight forwarding and logistics industry to self-regulate and address key industry risks, such as cyber-crime, transporting counterfeits and corruption. FIATA, the largest non-governmental organisation in the field of transportation,<sup>69</sup> is at the forefront of this and facilitates the development of industry standards and guidance documents that cover a variety of industry risks.

The increase of self-assessment and self-regulation shows there is a level of maturity in the industry to collectively address industry risks and move towards raising standards across the industry. What does this look like in relation to IWT?

### 6.1 Bringing market leaders to the table

As discussed in the preceding chapters, IWT is a particularly difficult issue for companies to deal with as it tends to be localised. Stakeholders are only privy to one small part of the puzzle, which makes it hard to specify the risk and develop effective risk mitigation strategies and policies.

For that reason, it can be beneficial for the different stakeholders to come together and collectively piece together the puzzle to get a more comprehensive picture of the structures underpinning the illegal trade. Two points are particularly important in identifying which companies to invite to the table first:

- Despite the overwhelming number of actors in the industry, the market analysis (see Section 4) shows that on the global level there is a consistent group that can be considered the market leaders. These have the greatest possibility to develop and influence industry standards at the global level.
- As identified in the IWT risk analysis (see Section 5), third-party logistics companies and freight forwarders that provide consolidated logistics services are more exposed to IWT risk because of

---

65 <https://www.traffic.org/what-we-do/projects-and-approaches/trade-monitoring/>

66 <http://www.routesdashboard.org/>

67 See <https://unitedforwildlife.org/> or Bulletin sign-up form here: <http://eepurl.com/gkIAeT>

68 [https://fiata.com/fileadmin/user\\_upload/documents/Prevention\\_of\\_Bribery\\_in\\_the\\_International\\_Logistics\\_and\\_Freight\\_Forwarding\\_Industry.pdf](https://fiata.com/fileadmin/user_upload/documents/Prevention_of_Bribery_in_the_International_Logistics_and_Freight_Forwarding_Industry.pdf)

69 <https://fiata2019.org/about/>

the breadth of services they provide. They also have the overview of the entire transport supply chain.

Working through engaged associations such as FIATA, these leading logistics providers can take on an important role to push the development of industry standards along.

## 6.2 Synergies with trade facilitation programmes

The World Customs Organization (WCO) [runs the Authorized Economic Operator \(AEO\) Programme](#)<sup>70</sup> which is part of the WCO Framework of Standards to Secure and facilitate global trade (SAFE). SAFE is recognised as a key driver for a solid customs–business partnership, as well as a secure, transparent and predictable trading environment.

Trade facilitation agreements are designed to expedite the movement of goods by allowing developed and less developed countries to reduce border inefficiencies. This can drastically reduce the transport time and also costs incurred also by logistics providers. This is crucial because in the transport sector, time is money. The International Road and Transport Union estimates that 57% of transport time is spent at border crossings and up to 38% of transport costs are unofficial levies to ensure products cross borders in a timely fashion.<sup>71</sup>

In the case of trade facilitation programmes such as the AEO programme, business incentives are central to motivate companies to effectively address their risks. As an AEO, companies benefit from "simplified customs declarations and EIDR (Entry in Declarant's Records), transit simplifications, priority treatment of consignments if selected for control, the option of a centralised clearance self-assessment and easier admittance to special procedures, temporary storage, and Customs warehousing." A company that becomes an AEO enjoys these significant business benefits while simultaneously reducing their IWT risk as a side effect.

The AEO programme is implemented on a country or regional basis, meaning there is a possibility to introduce IWT-specific requirements for hot-spot countries. For example, the Commissioners of Customs of the East African Countries (EAC) Customs Union, which spans Burundi, Kenya, Rwanda, Tanzania and Uganda, has set up an EAC regional Authorized Economic Operator program.<sup>72</sup> This opens the possibility for existing private-sector IWT forums and projects in the region, such as the East Africa chapter of the Transport Taskforce or the UNDP-GEF ports project<sup>73</sup> to link up with customs and push for the inclusion of IWT requirements under their trade facilitation programs.

## 6.3 Increasing pressure from transport industry customers

There is strong momentum in the transport sector generally to address issues of IWT across the industry, as evidenced by the strong level of participation in the United for Wildlife Transport Taskforce and in

---

<sup>70</sup> <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/aeo-compendium.pdf?db=web>

<sup>71</sup> <https://theloadstar.com/talk-about-corruption-if-you-want-to-combat-it-forwarders-advised/>

<sup>72</sup> <http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/facilitation/instruments-and-tools/tools/safe-package/aeo-benefits-pscg.pdf?la=en>

<sup>73</sup> The UNDP-GEF project aims to reduce maritime trafficking of wildlife between Africa and Asia by strengthening wildlife law enforcement at ports and increasing cooperation between ports and other maritime stakeholders. The project members have a keen interest in engaging freight forwarders in their project, focusing on Mombasa and Dar es Salaam ports. UNDP. 2018. UNDP, GEF embark on vast programme targeting wildlife trafficking in commercial ports. [https://www.undp.org/content/undp/en/home/news-centre/news/2018/UNDP\\_GEF\\_wildlife\\_project.html](https://www.undp.org/content/undp/en/home/news-centre/news/2018/UNDP_GEF_wildlife_project.html).

initiatives facilitated by TRAFFIC. However, despite the large number of members that have signed the Transport Taskforce's Buckingham Palace Declaration, some key industry groups are still under-represented, including the reason for this report: freight forwarders and logistics providers.

Proactive shipping and airline companies in the Transport Taskforce are presumably keen to ensure that their efforts are not undermined by lack of awareness and response from missing links in the wider transport industry. These companies can play an important role in bringing their logistics providers to the table.

### Transport Taskforce: private-sector action in the transport industry against IWT

The United for Wildlife (UfW) Transport Taskforce<sup>74</sup> brings together 120+ high-level representatives of customs agencies, container shipping companies, airlines, logistics companies and freight forwarders, together with representatives from organisations engaged in conservation and anti-trafficking activities. It was established in March 2015 by the Duke of Cambridge and is led by Lord Hague of Richmond. It is coordinated by United for Wildlife, an initiative of The Royal Foundation.

The main aim of the Taskforce is to help transport companies identify any roles they might unwittingly play in IWT and seek ways that the sector can break the chain between suppliers and consumers. Transport Taskforce members sign the Buckingham Palace Declaration, with 11 provisions setting out how they will achieve their commitment to "not knowingly facilitate or tolerate the carriage of [illegal] wildlife products".

---

## 6.4 Communicating the wider benefits of counter-IWT efforts

An alternative or addition to regulation is to positively incentivise companies to engage in counter-IWT efforts. This could include identifying the business benefits for compliance more generally, as well as the potential benefits that result from the implementation of an effective risk mitigation strategy.

### 6.4.1 Addressing IWT as part of corporate social responsibility (CSR)

The reputation of the transport and logistics industry is heavily impacted by concerns over sustainability, particularly regarding the high environmental impact of transporting goods over long distances. The market leaders in the logistics industry therefore have a strong CSR focus on environmental sustainability, currently focusing almost exclusively on carbon emissions.

Engaging in the protection of biodiversity by playing an active role in reducing IWT can also be a positive message for companies to use in marketing and CSR reporting. CSR reporting is not only increasingly an issue of concern for customers and shareholders, but has also become an important indicator for investment firms.

---

<sup>74</sup> <https://www.unitedforwildlife.org/what-is-the-transport-taskforce/>

### 6.4.2 Collective Action against IWT increases knowledge and reduces costs

Though private sector-focused initiatives in the field of IWT such as the UfW Transport Taskforce are still in their early stages, the benefits to companies of engaging in this type of Collective Action are becoming increasingly clear. These benefits include:

- Learning from the approaches of other stakeholder groups such as the airline industry association IATA, which has integrated IWT-specific risks and requirements into one of their internal certification procedures.<sup>75</sup> This type of certification could be adapted to other industry sectors such as the freight forwarding and logistics industry. It should be noted, though, that the airline industry is more homogenous than the freight forwarding and logistics industry, where players vary widely and small local players predominate in some areas. This will weaken such an approach.
- Intra-industry exchange on IWT can facilitate a more realistic assessment of the risks and role different actors in the transport industry can play in reducing IWT. A sustained and active dialogue with other transport companies also takes into account the ever-evolving nature of IWT risks more generally. As companies and industries tighten the net, IWT trafficking networks will adapt their mechanisms as well.
- Data-sharing on IWT red flags and risk mitigation methods can reduce the time and money companies would have to spend to gather this information.
- The forums are already in place and if all the main players are at the table the pressure is no longer on one sector to take on an industry-wide issue that they cannot solve in isolation.
- Due to the convergent nature of IWT with other risks faced by the transport industry, freight forwarders and logistics providers can benefit from resources that are already available, such as intelligence and tools mentioned in Section 5.2.6.

### 6.4.3 Building local partnerships and reputations

Typically, industry standards are set by the global market leaders. In contrast, IWT-specific risks are localised geographically. Implementation and capacity building therefore have to focus on IWT source and demand countries along the main trade routes.

This is why many initiatives are already working at the regional and local level, such as the nascent local chapters of the UfW Taskforces in East Africa, South Africa and China. Engaging with these initiatives helps companies to strengthen relationships and build positive reputations in these regions. A pertinent example is the INAMA<sup>76</sup> project under the World Customs Organization Environment programme,<sup>77</sup> which aims to build the capacity of customs officials in targeted administrations in Asia, South America and sub-Saharan Africa in relation to IWT. The WCO is also a signatory of the Buckingham Palace Declaration.<sup>78</sup>

---

75 <https://www.baselgovernance.org/publications/working-paper-32-private-sector-engagement-fight-against-illegal-wildlife-trade>

76 <http://www.wcoomd.org/en/topics/enforcement-and-compliance/activities-and-programmes/inama-project.aspx>

77 <http://www.wcoomd.org/en/topics/enforcement-and-compliance/activities-and-programmes/inama-project.aspx>

78 <http://www.wcoomd.org/en/media/newsroom/2016/march/wco-signs-united-for-wildlife-transport-taskforce-buckingham-palace-declaration.aspx>

## 7 Annex I: Definitions

Term	Definition	Source
Freight forwarding and logistics services	<p>“...services of any kind relating to the carriage (performed by single mode or multimodal transport means), consolidation, storage, handling, packing or distribution of the Goods as well as ancillary and advisory services in connection therewith, including but not limited to customs and fiscal matters, declaring the Goods for official purposes, procuring insurance of the Goods and collecting or procuring payment or documents relating to the Goods.</p> <p>Freight Forwarding Services also include logistical services with modern information and communication technology in connection with the carriage, handling or storage of the Goods, and de facto total supply chain management. These services can be tailored to meet the flexible application of the services provided.”</p>	<a href="#">FIATA</a>
Third Party Logistics Provider (3LP)	<p>“carry out logistics services on behalf of a shipper and consisting of at least management and execution of transportation and warehousing. In addition, other activities can be included, for example inventory management, information related activities, such as tracking and tracing, value added activities, such as secondary assembly and installation of products, or even supply chain management. Also, the contract is required to contain some management, analytical or design activities, and the length of the co-operation between shipper and provider to be at least one year, to distinguish Third party logistics from traditional “arm’s length” sourcing of transportation and/or warehousing.”</p>	<a href="#">Van Laarhoven, P., Berglund, M., Peters, M., (1999)</a>
Fourth Party Logistics Provider (4LP)	<p>“companies that "integrate and assemble resources, capabilities, and technology of its own organization and other organizations to design, build, and run comprehensive supply chain solutions.”</p>	<a href="#">Trademarked term by Andersen Consulting (1996)</a>

Non-vessel operating common carrier (NVOCC)	“a common carrier that does not operate the vessels by which the ocean transportation is provided, and is a shipper in its relationship with an ocean common carrier. The term ‘non-vessel operating common carrier’ does not include freight forwarders.”	<a href="#">19 CFR §4.7(b)(3)(ii)</a>
Customs broker/clearing agent	"a person who carries on the business of arranging for the Customs clearance of goods and who deals directly with the Customs for and on behalf of another person.”	<a href="#">World Customs Organization Glossary of International Customs Terms</a>