

# **Container Security**

## **A Proposal for a Comprehensive Code of Conduct**

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## Executive Summary

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Approximately 95 percent of the world's trade moves by containers, primarily on large ships, but also on trains, trucks, and barges. The system is efficient and economical, but vulnerable. Until recently, theft and misuse have been as accepted as a cost of doing business. However, the rise of terrorism and the possibility that a container could be used to transport or actually be the delivery vehicle for weapons of mass destruction (WMD) or high explosives have made it imperative that the security of the shipping container system be greatly improved. Aside from the direct effects of an attack, the economic, social, and political consequences of a significant disruption in the transport chain would be staggering.

In response to recent terrorist attacks the United States, the European Union, and international organizations and industry have instituted new measures to improve security in the shipping trade, including some procedures on containers. These include bilateral agreements involved in the Container Security Initiative (CSI) and the Proliferation Security Initiative (PSI). These measures are useful, but shipping containers remain vulnerable. The authors, building on work done by the National Defense University Center for Technology and National Security Policy that formed the basis for the CSI, recommend a comprehensive multilateral agreement on the use of containers in international trade rather than numerous bilateral agreements.

Such a comprehensive solution requires a worldwide approach, including improved tools, better information, and cooperation among all stakeholders. Key components of the system that need improving include the bill of lading, seals, controls and sensors at borders, ports, and other transfer points, and the verification and sharing of information. The key objective must be to verify more reliably the contents of containers, in particular the absence of WMD, as well as their travel history.

This paper recommends, as a key step in this approach, the development and adoption of a comprehensive Code of Conduct that would be globally recognized and enforced for such an important component of global commerce. The implementation measures should provide incentives for the industry involved to comply with the obligations of the Code. The G8 and China, or the World Customs Organization, could take the lead in negotiating a global agreement on container security. A draft outline of such a Code is presented in the Annex to this Report.



# Introduction

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Security depends increasingly on the ability of states to handle non-military threats from non-state actors, and one of the greatest of those threats results from the scale and vulnerability of seaborne cargo containers.

Global commerce is totally dependent on the movement of shipping containers, which carry about 95 percent of the world's international cargo in terms of value. More than 48 million full cargo containers move between major seaports each year, and containers transit the countries of the world daily on trains, trucks, and barges. Containers can transport drugs, arms, chemical, nuclear and biological materials, and operatives for criminals and terrorists, yet fewer than two percent of them are subject to in-depth inspection.

One event involving a large conventional explosion or release of nuclear, chemical or biological material in a major port would have extremely serious consequences far beyond the damage to the target area itself. One would expect a major social and political impact on world maritime shipping and on consumer confidence—hence, on industrial production and the world economy—until some degree of assurance regarding the safety of the system could be restored.

Increasing dependence of companies on just-in-time deliveries helps drive the pace of the container trade. The rapid movement of containers, combined with incomplete information on cargo, results in greatly compromised global security. In 2002, the National Defense University Center for Technology and National Security Policy recognized that the risk of terrorism from seaborne containers bound for the United States begins at the point of origin, which should also be the point of inspection. Inspection of containers in the United States at the port or destination could be too late to avoid a disastrous event.<sup>1</sup>

Beginning U.S. control over cargo at the foreign point of origin would create a “virtual border,” a multi-layered defense addressing container security from the initial loading of the container to its movement through the entire international transportation network. The concept of a virtual border formed the foundation for the Container Security Initiative adopted by the United States bilaterally with a number of other countries. This report extends the concept of virtual borders.

One challenge facing us is to explore how we can use international agreements in various forms to help cope with these new threats. How can we, through agreements among States, regulate activities that limit the options available to non-state actors to carry out their activities of terror and crime? It is in this light that we should see the issue of container security and the search for agreements to make container traffic safe for all States.

While most of the efforts to date to improve the transport security chain focus on the protection of the United States through bilateral arrangements, this report views the problem as a global

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<sup>1</sup> See Hans Binnendijk, Leigh C. Caraher, Timothy Coffey and H. Scott Wynfield, “The Virtual Border: Countering Seaborne Container Terrorism,” *Defense Horizons* 16 (Washington, DC: National Defense University Press, August 2002) available online at <http://www.ndu.edu/inss/DefHor/DH16/DH16.htm>.

vulnerability that requires urgent global attention. It is a problem for all stakeholders in the transport chain that requires an international solution.

This Report analyses weaknesses in the global transport chain, and proposes a multilateral Code of Conduct to enhance container security that could be translated into national and EU legislation. The goal is to achieve security measures that create strong incentives for those who implement them and strong disincentives for those who do not.

The authors of this report have analyzed a number of international agreements<sup>2</sup> and visited the ports of Rotterdam and Le Havre, where they met with Dutch and French authorities from customs, security, port, shipping, and communications. They were also briefed by representatives of Maersk, Boeing, FreightDesk Technologies, the Organization for Security and Cooperation in Europe (OSCE), the World Customs Organization (WCO), the United States Department of State (Office of Transportation Policy), Department of Defense, Department of Homeland Security (Customs and Border Protection, Transportation Security Administration), Department of Energy (National Nuclear Security Administration, Argonne National Laboratory), National Defense University Center for Technology and National Security Policy, George Washington University (Department of Electrical and Computer Engineering), Council on Foreign Relations, and customs officials of Baltimore.

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<sup>2</sup> See “Generic Aspects of Arms Control Treaties: Does One Size Fit All?” Lessons for Future Agreements on Global Security,” European Commission Joint Research Centre, EUR 21077, Ispra, Italy, 2004.



# Containers—Key to World Trade

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The first container vessels, built in 1968, had a capacity of 2,000 20-foot containers. Both containers and vessels have grown substantially since then. Containers have doubled in size (giving rise to the term twenty-foot equivalent, or teu), and newer vessels have a capacity of 8,000 teu. Vessels of 14,000 teu are planned. Modern river barges have a capacity of several hundred containers. Container traffic is by no means confined to water. Almost all the goods that arrive at or depart by ship from a harbor are also transported by truck or rail. Trucks dominate land transport in Europe.

In the early 1970s, container traffic was less than 4 million teu annually; it reached 100 million teu in 2000, and continues to increase by around eight percent per year. The yearly container traffic in the fifteen main EU ports is of the order of 34 million teu. The top three ports are Rotterdam (6.5 million teu), Hamburg (5.4), and Antwerp (4.7 million teu). Some 18.6 million teu traveled through Hong Kong and approximately 31 million teu came through North American ports in 2000.

To convey the magnitude of container traffic, in one year 31,000 ocean vessels and 133,000 inland vessels (carrying 1.8 million teu) arrive at the port of Rotterdam, which is the world's biggest port, if non-container shipments are included. Most harbors also have a concentration of industry, refineries, and oil storage nearby, which illustrates vividly the strategic vulnerability of a major harbor.

Significantly, 50 percent of maritime container transport is handled by only 10 operators, and 75 percent by 20 operators. A Danish company, Maersk Sealand, is by far the largest container shipping company in the world. (There are no major U.S. companies in the business.) Competition among shipping lines is high, so customers may move easily from one line to another to find the quickest and least expensive way to ship goods. The cost of container transport is low: a video recorder unit shipped from Singapore to Europe will cost about 2 Euros as freight rate; the transport cost of a full container from Lyon to Atlanta is of the order of 2,000 Euros and the transport cost from the Western United States across the Pacific is about 3,000 Euros.

The container transport system is complex and involves many actors. The basic document for a container, the bill of lading, is created by the shipper and specifies the content of a container. (A substantial number of inland ships seem to have no basic documents for containers.) After a container is packed, it is sealed by the shipper, normally with a simple mechanical tamper-indicating seal used primarily for reasons of liability for the transport company. As noted by the World Customs Organization, "High security manual or mechanical seals can play a significant role in a comprehensive container security program. But it is important to recognize

that container security starts with the stuffing of the container and that seals do not evidence or guarantee the legitimacy of the container load.”<sup>3</sup> After the container is sealed it is transported to a container terminal, such as Le Havre, France, which serves as a transshipment hub. For example, inland container traffic arrives at Le Havre by road (86 %), train (12 %), and barge (2%).

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<sup>3</sup> Administrative Committee for the Customs Convention on Containers, 1972, “Amendment Proposals by Contracting Parties,” Brussels, 1 Oct. 2004 (Doc. PB0007E1 Annex 1).

# Threat Analysis

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The system of moving goods via shipping containers is efficient and economical, but also vulnerable to intrusions and misuse. The EU estimates that the direct cost of breaches in transport security, primarily theft, results in losses to the European economy of several billion Euros each year. The European countries also lose billions of euros each year in uncollected taxes. Containers are being used to smuggle illicit items and even people across national borders. This demonstrated lack of security raises the threat that containers could be used by terrorists, including for the delivery of WMD. One can envision two major scenarios:

- A container could be used as a weapon to attack a port or any other facility along a transport chain after unloading from a ship or even while still on the ship before inspection. Many ports are located in major population and industrial centers and contain significant quantities of oil and other vital commodities. Such attacks could be conducted using WMD or large quantities of conventional explosives. Attacks could also be launched on a vulnerable target from a container on a truck, train, or barge.
- Containers could be used to transport complete WMD or WMD components to terrorists, who could then use them at a time and place of their choosing.

Containers are strong and their contents can be both large and heavy. Virtually any existing assembled nuclear weapon could be placed inside a container, together with shielding material to make detection difficult. Likewise, nuclear weapon components or special nuclear materials (useable in weapons) could be transported in a container, as could the materials for a radiological device, or “dirty bomb.” Chemical materials suitable for weapons, either in bulk or in artillery shells or bombs, could also be placed in a container. Large quantities of biological weapons could be concealed among legitimate cargo in a container, though only small amounts of biological materials could create devastating results and could be transported in many other ways. Up to 30,000 kilos of conventional high explosives could be contained in a 40-foot container. Such an explosion could create disastrous effects in the target area and render a major port inoperable. Surface-to-air missiles are another possible cargo of potential interest to terrorists.

A catastrophic event in a port would have extremely serious consequences far beyond the damage to the target area itself. One would expect a major impact on world maritime shipping and on consumer confidence until some degree of assurance regarding the safety of the system could be restored. The damage would go even further and seriously damage industrial production and the world economy. It might also have severe social and political effects. Efforts have been made to estimate the damage in economic terms based on past experience. The cost to New York City of the 9/11 attacks has been estimated to be at least \$83 billion.<sup>4</sup> A labor dispute in 2002 that caused the shutdown of U.S. west coast ports for 10 days cost the U.S. economy about \$5 billion. World trade is estimated at \$10 trillion per year, or \$27.4 billion each day. The U.S.

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<sup>4</sup> “One Year Later, The Fiscal Impact of 9/11 on New York City,” by William C. Thompson, Jr., Comptroller, City of New York, September 4, 2002.

Government Accountability Office (GAO) has reported that the Brookings Institution estimated the cost associated with closing U.S. ports due to a detonation in a harbor could amount to \$1 trillion.<sup>5</sup> In 2002 Booz, Allen and Hamilton reported that a 12-day closure to search for an undetonated weapon could cost \$58 billion.

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<sup>5</sup> Container Security, “Expansion of Key Customs Programs Will Require Greater Attention to Critical Success Factors,” July 2003, GAO-03-770, U.S. GAO. The report also cites Mark Gerencser, Jim Weinberg and Don Vincent, “Port Security War Games: Implications for U.S. Supply Chains” (Booz Allen and Hamilton, 2002).

# Vulnerabilities

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Stephen Flynn, an early advocate of protective measures against terrorist attack, has observed that:

From water and food supplies; refineries, energy grids, and pipelines; bridges, tunnels, trains, trucks, and cargo containers; to the cyber backbone that underpins the information age in which we live, the measures we have been cobbling together are hardly fit to deter amateur thieves, vandals, and hackers, never mind determined terrorists.<sup>6</sup>

The transport chain is far from transparent, and no single authority or industry has the full responsibility for security from beginning to end. The most vulnerable period for the container is the time of stuffing, before the shipper seals it. The system relies on the trusted shipper, and the majority of stock is presumed to be safe. However, the bill of lading is a weak point in the chain; how do the authorities or industries further down the transport chain know what was originally packed in the container? The bill of lading is rarely verified through inspections of the containers after packing or during transport. Thus, WMD or conventional explosives could be included in a shipping container at the point of loading, and a bill of lading that appears to be legitimate could be utterly false.

Another point of vulnerability is at the point of transfer or re-packing of the container. Major shipping companies claim that they take action to enhance security and appear confident that containers are not tampered with while in their custody in large international harbors and during sea transport. The European Community Shipowners' Association has a security work group, and Maersk has established a container business security committee. During transport by road and in small harbors, however, the security risks are considerably larger. Road transportation, where a container is in the hands of a single person for a long time moving over large distances, could pose a great risk. The driver could take the container to a warehouse and re-load it or exchange it for another.

Large shipping companies have information on the containers they transport and where they are at any given time. Smaller feeder companies are usually less organized. The information systems are unique to each company and do not interact with those of harbors or customs authorities. This information is of commercial value, and it is unclear how much information shipping companies are willing to share, and with whom and under what conditions.

Container seals today are not difficult to remove and can be reproduced or forged. Time permitting, seals could be circumvented by lifting off container doors or entering the container through holes that are cut out and welded back together afterwards. Stakeholders have had little incentive until recently to implement additional security measures in the highly competitive

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<sup>6</sup> Stephen Flynn, *America the Vulnerable: How Our Government is Failing to Protect Us from Terrorism* (New York: Harper Collins Publishers, 2004.) 2. See especially chapter 5, "What's in the Box?," for a discussion of container vulnerability.

container transport market. A small percentage of loss has simply been considered a cost of doing business.

Fewer than two percent of containers are inspected at harbors either because they have been selected randomly or because of incomplete documentation or intelligence information. To check the content of containers, harbors such as Le Havre have set up a scanner system, Cyrcoscan, which provides a 3-dimensional x-ray analysis of the container within 15 minutes. Scanning is applied to about 15 to 20 containers per day, or 0.5% of all the containers that pass through Le Havre.<sup>7</sup> To check the containers for radioactive materials, radiation monitors will be installed in some ports as part of the U. S. Megaport Initiative. So far only four scanners have been installed of the 40 to 50 needed to scan all of the 6.6 million teu passing through the port of Rotterdam each year.

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<sup>7</sup> At the port of Le Havre, a truck entering the harbor container terminals is weighed automatically before a barrier opens, and this is recorded on video. Photographs are taken and kept of the driver, the registered plates of the vehicle, and the container number. To leave the container terminal, a safety guard opens the gate after checking the documents of the truck.

# Recent Container Security Measures

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Recent terrorist attacks significantly increased awareness of the need to improve transport security and to reduce risks that ships and maritime containers are used by terrorists to mount attacks. Of particular relevance are the new initiatives undertaken by the United States, by the European Union, by the G8, and by international organizations that regulate the maritime industry—the International Maritime Organization (IMO), the World Customs Organization (WCO) and the International Labor Organization (ILO).

## United States Initiatives

The United States has taken a number of measures to ascertain that U.S.-bound containers and vessels are secured, including the Container Security Initiative, the Advanced Cargo Manifest Rule, the Custom Trade Partnership against Terrorism, the Proliferation Security Initiative, and the Megaport Initiative.

The *Container Security Initiative* (CSI) is a set of measures designed to move the process of container screening toward the beginning of the supply chain. It includes increased efforts to pre-screen containers more effectively, to make sure that containers are more secure in transit, and to have technology in place at the port of overseas departure for inspection of high-risk containers. The objective is to ensure that containers headed for the United States are secure before they leave a foreign port. Waiting for the container to arrive at a U.S. destination before inspecting it would probably be too late to prevent a catastrophic result, and sorting through containers stacked on ships is impractical.<sup>8</sup> Thus, the CSI comprises four fundamental elements: using intelligence and automated information to identify and target high-risk containers; pre-screening those containers identified as high risk at the port of departure; employing detection technology to rapidly pre-screen high-risk containers; and using smarter tamper-proof containers.<sup>9</sup>

The United States has concluded agreements with some 25 ports globally, including Rotterdam, Antwerp, Le Havre, Singapore, and Hong Kong, that provide for U.S. customs officers to be permanently placed at these ports. The United States has offered reciprocity to other countries so that they, too, can station customs officers in U.S. ports for ships bound to their countries. To date only Japan and Canada have done so. However, if all countries reciprocated in the CSI by sending customs officers to each others' ports, there would be an overabundance of officials among the containers, creating chaos. This points to the central deficiency in the CSI: it consists of bilateral agreements rather than a global arrangement to secure global container transport.

- The *Automated Manifest System* (AMS) requires that U.S. customs receive the shipping manifest information 24 hours before the container is loaded for destination in a harbor of the United States. As a result of this increased pre-screening, so far during the first year

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<sup>8</sup> See "The Virtual Border: Countering Seaborne Container Terrorism." This article became the blueprint for the Container Security Initiative.

<sup>9</sup> "Fact Sheet: Container Security Initiative Guards America, Global Commerce from Terrorist Threat," U.S. Customs Service, March 12, 2003, available online at [www.customs.gov](http://www.customs.gov).

of operation about 100 containers worldwide have been held before loading, mostly because of incomplete documentation.

- The AMS provides automatic 24-hour manifest status updates and generates manifest reports by container, voyage, bill of lading, date, unloading port, shipper/consignee, and more. Through a customs message-tracking interface, manifest status information is available via automatic email notifications. The advanced manifest requirements for ocean carriers went into full effect February 2, 2003. Benefits of AMS participation have included paperless processing, elimination of repetitive trips to the local customs house, reduction of cargo dwell time, and increased customs compliance .
- The *Customs Trade Partnership Against Terrorism* (C-TPAT) is a joint U.S. government-business initiative to build cooperative relationships that strengthen overall supply chain and border security. C-TPAT recognizes that U.S. Customs can provide a high level of security only through close cooperation with the ultimate owners of the supply chain—importers, carriers, brokers, warehouse operators and manufacturers. Businesses must apply to participate in C-TPAT. Participants sign an agreement that commits them to conduct a comprehensive self-assessment of supply chain security guidelines. More than 7,000 businesses have signed up to the CTPAT.
- U.S. Customs will offer potential benefits to C-TPAT members, including: a reduced number of inspections (reduced border times); an assigned account manager; access to the C-TPAT membership list; eligibility for account-based processes (bimonthly/monthly payments); and an emphasis on self-policing, rather than customs verifications. It thus rewards importers who elevate their security measures and make their internal procedures more transparent by offering reduced numbers of border inspections.
- The *Proliferation Security Initiative* (PSI) was launched by the USA in July 2003. Originally consisting of 11 countries, it is now expanding, both by membership and by countries supporting it. It is focused on pre-emptive interdiction: it seeks to allow ships, aircraft and vehicles suspected of carrying WMD-related materials to be detained and searched as soon as they enter member countries' territory, territorial waters, or airspace. To avoid the violation of international law (for example the Law of the Sea), bilateral arrangements are made to board vessels and aircraft and/or guide these to participating States. Several exercises have been held, which also have the function of deterring the transport of such materials. An example of PSI was the interdiction of a ship carrying centrifuges (that could be used to enrich nuclear material) on its way to Libya.
- The *Megaport Initiative* began in 2003 as a cooperative effort between the U.S. and the host country to add radiation detection capabilities to key ports. This will make it possible to screen cargo for nuclear and radiological weapons of mass destruction. The U.S. supports the installation of the equipment, training and maintenance, while equipment is operated by host country personnel. So far the Megaport Initiative has installed sensors in two ports, Rotterdam and Piraeus, and plans to do so in five more ports (in Sri Lanka, Italy, Spain, Belgium and Bahamas).



Operation Safe Commerce was enacted by the U.S. Congress to monitor the movement and ensure the security of containers in transit using off the shelf and emerging technologies. A \$58 million joint pilot program in Seattle, Los Angeles and New York ports involving collaboration between industry, ports and local, state and federal governments, it will fund business initiatives designed to enhance security for container cargo moving throughout the international transportation system. Operation Safe Commerce will provide a test-bed for new security techniques that have the potential to increase the security of container shipments. DOT and Customs will use the program to identify vulnerabilities in the supply chain and develop improved methods for ensuring the security of cargo entering and leaving the United States. Those security techniques that prove successful under the program are to be recommended for implementation system-wide. The containers will be fitted with various sealing, tracking, and information-gathering technologies, and exposed to actual shipping conditions. They also will be monitored for logistics and security anomalies.

## **International Initiatives**

At the G8 Summit of June 26, 2002 held in Kananaskis, Canada, members agreed on a set of cooperative actions to promote greater security of land, sea and air transport while facilitating the cost-effective and efficient flow of people and cargo for economic and social purposes. On the issue of container security, the G8 agreed:

- “Recognizing the urgency of securing global trade, work expeditiously, in cooperation with relevant international organizations, to develop and implement an improved global container security regime to identify and examine high-risk containers and ensure their in-transit integrity.
- Develop, in collaboration with interested non-G8 countries, pilot projects that model an integrated container security regime.
- Implement expeditiously, by 2005 wherever possible, common standards for electronic customs reporting, and work in the WCO to encourage the implementation of the same common standards by non-G8 countries.
- Begin work expeditiously within the G8 and the WCO to require advance electronic information pertaining to containers, including their location and transit, as early as possible in the trade chain.”<sup>10</sup>

The IMO is a United Nations agency responsible for improving maritime safety and cooperation. Recently this organization was given the additional responsibilities for maritime and port security. In response to this new responsibility, the governing Conference of the IMO in

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<sup>10</sup> “Cooperative G8 Action on Transport Security,” Documents University of Toronto G8 Information Centre, available online at [www.g8.utoronto.ca/summit/2002kananaskis/transport](http://www.g8.utoronto.ca/summit/2002kananaskis/transport).

December 2002 modified and expanded the existing Safety of Life at Sea (SOLAS) convention with new maritime security measures.

One new initiative under the SOLAS is a new code for International Ship and Port Security (ISPS), which provides mandatory security requirements for governments, port authorities and shipping companies, as well as voluntary guidelines about how to meet the new security requirements. In addition, in October 2003 the EU required the mandatory adoption by EU Member States of many of the voluntary measures of the ISPS code. The new code came into effect on 1 July 2004 and will apply to ships larger than 500 gross tons. In order to prepare for this development, a public/private partnership including government, port authorities, ship owners, industries, and unions produced a manual for ship and port security assessment given to the IMO, EU and the World Bank.<sup>11</sup>

Under the ISPS, the operators of seaports must conduct vulnerability assessments and develop and submit for approval security plans for their ports. The plans must meet the threats against varying security levels (normal, medium and high threat situations) that would be set by the contracting Government. Under the new amendments to the SOLAS, seagoing vessels are now required to undergo a vulnerability assessment to develop and implement a security plan, including a provision for security officers, and to install an Automatic Identification Systems (AIS) on board which can be interrogated. The imposed security level creates a link between a ship, the port facility, and the threat situation.

Discussions are also taking place in the International Rhine Commission, for example, regarding whether and how to extend the ISPS code to inland harbours and vessels. A more detailed description of the new SOLAS and ISPS code requirements can be found in the IMO documents MSC/Circ.1097 and MSC/Circ.1104 and at the IMO website [www.imo.org](http://www.imo.org).<sup>12</sup> While SOLAS might not specifically apply to containers, the issues regarding ship recognition, history and security are certainly relevant.

The World Customs Organization (WCO) is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of customs administrations. WCO was established in 1952 and has 164 member Governments. It is taking increased actions on transport security and in a Co-operation Council resolution of 2004 it notes, “All modes of transport, including land, sea, air and mail operation can be exploited and used to perpetrate acts of terrorism and organized crime” and “there is a mutual need and shared responsibility for all entities in the supply chain to secure and facilitate the movement of legitimate trade and to promote economic security”.<sup>13</sup> The WCO developed the Unique Consignment Reference Number (UCR) to assist in the traceability of individual transports, either by container or otherwise. Detailed guidelines can be found on the WCO website [www.wcoomd.org](http://www.wcoomd.org).

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<sup>11</sup> See EU Regulation 725/2004 on enhancing ship and port facility, new Commission proposal adopted by the Commission on port security of EU ports to the borders of all European ports; IMO implementation adopted 10 Feb. 2004 (COM/2004)76).

<sup>12</sup> In a related action, the International Labour Organization (ILO) now requires that every seaman be registered and obtain a verifiable authenticated identity card.

<sup>13</sup> Resolution of the Customs Co-operation Council on Global Security and Facilitation Measures Concerning the International Trade Supply Chain (June 2004). Customs Co-operation Council is the official name of the WCO

To explore ways to increase the efforts by the WCO and national customs organizations, WCO has established a high-level strategic group comprising 12 Directors General from national customs organizations. This Group is tasked *inter alia* to "further develop the concept of integrated supply chain management and related Customs matters" and to develop and define standards on integrated supply chain security.<sup>14</sup> The Group is expected to provide its recommendations in mid-2005.

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<sup>14</sup> Ibid.



# Technical Issues

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Technologies already exist which can be used to enhance container security or detect WMD components or high explosives. These can be separated into different categories: container seals; container sensors; detectors at the port, traceability, information systems; and preparatory technical work.

## Container Seals

A trustworthy seal is a crucial component to improve security. There are many different seals, and their main purpose is for liability rather than security. Currently seals are easy to forge and therefore it is difficult to know if the container has been tampered with in transit. Seals should be tamperproof and should carry a unique identification that cannot be forged easily. The procedures and authorities to apply seals must be clearly defined. There is a need to establish some minimal standards. The World Customs Organization has a high-level group to address standardization in container transport, including seals. The International Standardization Organization (ISO) is also reportedly preparing an international standard of seals.

Low cost radio frequency identification devices (RFIDs) could be embedded into seals to make them more difficult to forge. They could communicate with reading equipment to exchange information. The RFIDs can be active (with an internal power supply) or passive (i.e. no internal battery). Active RFIDs can transmit information over larger distances but present a logistic problem because the batteries need to be routinely exchanged. For passive RFIDs the reading equipment interrogates the seal with an active signal that provides the necessary power to communicate. Passive RFIDs (or transponders) do not need batteries, which is therefore more attractive from the logistical perspective. RFIDs have been used in various wide scale applications (e.g. livestock identification, see *Traceability* below). A promising development is the use of an RFID-based seal that embed a programmable transponder that can store information on how the container has been traveling (trajectory) and what events occurred (opening, closing).

A number of institutions and companies (Boeing, QinetiQ, Philips, Joint Research Center of the European Commission, and others) have instituted research and development programs on security measures, including smart seals and “brilliant containers” with built-in detectors. As the current cost of a seal is of the order of two euros, shipping companies will be reluctant to use smart seals if they are too expensive unless the companies are required to do so or doing so would provide a competitive advantage.

## Container Sensors

A further development could be to equip containers with sensors that could detect intrusion or other actions that might breach security. Sensors could either produce real time alerts, or communicate with a secure device (e.g. a transponder seal) to record these events and when they occurred for later recovery. Currently it is possible to cut open a container and weld it shut again.

Containers should be constructed in such a way that it is very difficult to enter the container without breaking the seal or setting off the sensor alarms.

Location and intrusion detectors are already being used on trains in Europe on an experimental basis. Similar systems to monitor the movement of trucks are also being implemented. In the EU, the Digital Tachograph regulation is imposing secure onboard equipment to register truck movements, speed and driving hours. Smart containers with comparable capabilities could be developed. Likewise, smart containers could contain built-in sensors to detect radiological materials, or specified chemical or biological agents. Such sensors are being developed and tested. If such devices prove to be reliable and cost effective, they could become an important part of the solution to the problem of container security.

## **Detectors at Port or Land Communication Junctures**

Unlike sensors installed in containers, detectors at communication choke points could be relatively large and sophisticated.

Nuclear material, especially material that might be part of a nuclear weapon or is intended to be used to produce a nuclear weapon, is of special concern. Radioactive materials give off neutrons, gamma rays and heat, which, in principle, allows them to be detected. However, it is difficult to generalize what can be detected in practice, since this depends strongly upon the nature and quantity of the radioactive material, what other material is present that can act as shielding and the sensitivity of the detector. In general, plutonium can be detected by passive neutron detectors outside the container. Highly enriched uranium (HEU) is very difficult to detect inside a metal container from any realistic distance and integration time (time of taking measurements). An active gamma ray or neutron source could be used to detect HEU, but this is a much more expensive and difficult operation. In addition, health and safety considerations make the use of active interrogation problematic outside of a special facility. Nuclear material that could be used to produce a radiological device or “dirty bomb” might be detectable.

Three-dimensional X-ray machines can reveal much information about the contents of containers and are being used in some large ports. Thermal imaging could reveal the presence of suspicious materials: air samplers, where air is sucked out of a container, can be used to detect nuclear, chemical and biological material. Swipes from the container might be useful to indicate the presence of high explosives, as well as chemical weapons and biological materials.

One problem with all of these sensors and detectors is that they tend to produce some false alarms, due to background radiation and other innocent emissions from legitimate cargo. Nevertheless, a more widespread use of the detectors already available today would certainly improve the security of the container system and work as a deterrent. For the future, research is needed, including the use of test beds, to develop faster, more reliable and affordable detectors of WMD.

## Traceability

A reliable account of the full history of the container is a key element of a secure transport chain. The ability to check--at any time or place--where, when and by whom a container was loaded, sealed, transported, transshipped and any other event that occurred in its trajectory is a vital part of security.

To achieve such traceability a combination of technical solutions such as seals, radio frequency identification devices (RFIDs) and information systems, needs to be deployed. They also need to be accessible by different parties in different parts of the world. This requires performance and interoperability standards and data sharing among industry, local and national or international authorities.

Recent EU regulations on tracing livestock provide a successful example of an extensive international tracing system that involves both industry and government authorities. Traceability of livestock and animal products are important elements of food safety. The recent crisis of BSE and Foot and Mouth Disease in Europe have demonstrated that, in order to ensure safe food, a reliable system must be in place to trace potentially contaminated animals and products in due time. The importance of traceability is twofold: on the one hand to provide the authorities with tools to quickly react to any kind of crisis, and on the other hand to give the consumer the possibility to be fully informed on the food in the market.

Traditional methods of animal identification such as plastic or metal eartags, tattoos and marks suffer drawbacks – including loss, degradation or alteration. Data recording is slow, with manual transcription errors posing further problems. In order to address the above problems, the EU Joint Research Center (JRC) launched a large-scale project, *Identification Electronique des Animaux* (IDEA), running from March 1998 to December 2001 concerning the electronic identification of the food-producing animals, as a first step to investigate the traceability issue.

In the project one million farm animals were electronically identified in six EU member states: France, Germany, Italy, the Netherlands, Portugal and Spain. The feasibility, reliability and interoperability of various electronic tagging systems for ruminants (cattle, buffaloes, sheep and goats) were explored and the underlying logistic and information handling structure needed to implement them was determined.

A key requirement for electronic devices was that they should remain with the animals throughout their lives and be recoverable upon slaughter. The identifiers were required to withstand field conditions and be readable whether the subject is stationary or on the move. In addition, their use should be sufficiently cost-effective to allow introduction amongst the entire livestock population in Europe. To compare performance of the most promising options, some 390,000 cattle, 500,000 sheep and 29,000 goats were fitted with a selection of tested and certified electronic ear-tags, ruminal boluses (ceramic capsules retained in the animals' reticulum or second stomach) or injectable transponders. Correct functioning of the devices was verified after they had been applied to animals by checking the reading after one day, one month and then annually, as well as in case of movements, at slaughter, and after recovery of the device. The project used unique identifiers for actors in the process (farmer, markets, transporters, slaughterhouses) and a distributed system of local and national databases and transport documents.

IDEA clearly demonstrated that a substantial improvement in traceability can be achieved by using electronic identification of livestock, and that there is no technical impediment to its introduction for cattle, buffaloes, sheep and goats. The results underpin recommendations covering target species and breeds under a broad spectrum of conditions: intensive and extensive rearing, intra- and extra-European transport, different slaughtering techniques, and environmental extremes in the north and south of the EU.

In this context, it is important to highlight that- as a direct consequence of the results of the IDEA project-EC Regulation 21/2004 concerning individual identification of small ruminants was adopted at the end of 2003 where -for the first time in the EC legislation- the EC Member States have the *option* to identify food producing animals (small ruminants) with electronic means and the *obligation* to do so starting from 2008 onwards. A similar decision will probably be put in discussion very soon for cattle. The aim of the proposed Regulation on sheep and goat identification is to improve animal health, movement monitoring, and subsidy verification – offering enhanced protection for all EU consumers. Reflecting on the conclusions of the IDEA Project, the Standing Committee on the Food Chain and Animal Health will adopt further guidelines and procedures for the implementation of electronic identification. These measures relate to detailed technical implementation guidelines and procedures (e.g. standards and communication protocols for electronic equipment), test procedures and acceptance criteria (e.g. reading distances) as well as support for the harmonisation of databases and data exchange protocols. The Commission will submit a report to the Council by the end of 2005, based on the experience of implementing electronic identification. For further information on electronic identification see <http://idea.jrc.it/>.

This successful project involving hundreds of millions of animals in the EU from birth to slaughter and including all movements (national or trans-European) shows that such a tamperproof and electronic system can be implemented. The experience and the technical solutions from this project could provide valuable input to the development of tamperproof seals and a corresponding information system.

## **Information Systems**

The bill of lading is an essentially unverified document, quite often delivered in hard copy. The bill of lading is a contract between the carrier and the shipper, and as such is considered a proprietary document. They appear in different forms and shapes. Efforts should, however, be made to standardize and computerize these documents. Procedures should be developed to address the trustworthiness of documents and thus establish the relationship between document and actual container contents. This might include being able to differentiate between trusted and unknown customers, and to consider imposing punishment for false statements. It might also be necessary to conduct, on an *ad hoc* basis, more extensive on-site inspections to verify the documents before the container is sealed.

In addition to the bill of lading the information system should contain information on the movement of the container. This information is today in the information systems of the large shipping companies for containers in their custody. This information should be provided to all authorities involved in a given transport chain (ports of origin, transit and destination) by all



shipping lines. The transfer of a container in and out of harbors and other transport hubs should also be recorded. The truck transport to a harbor is a most vulnerable part of the transport chain, and the trucking company should provide detailed tracking information. This database should contain information on whether a container has been scanned or inspected. The exchanged data would contain a history record of information for each individual container and where it has traveled, similar to DHL or luggage tracking systems for airlines.

Information provided should be treated as confidential. Commercial entities will obtain access only to information that relates to their shipping company or port terminal. Customs, port security authorities and other authorities dealing with anti-crime and anti-terrorist activities should obtain the information they need.

Some arms control treaties have international information exchange systems that could serve as a model. The information system of the Nuclear Test Ban Treaty Organization is the largest one and contains enormous volumes of information that are updated continuously.

Contraffice is a system developed by the European Commission's Joint Research Centre in collaboration with the anti-fraud office of the EC (Office Européen de Lutte Anti-Fraud, known as OLAF). It automatically gathers container cargo movements from open source information, and subsequently analyses their travels to target suspicious movements. Contraffice conducts the analysis based solely on global maritime container cargo itineraries, and not on products or commercial entities declared on the customs declaration. It is in a position to do so because its analysis is based on very large amounts of global container movements gathered from open sources. Contraffice provides European authorities additional information to be used for national risk analysis to detect suspicious containers.

In the area of anti-fraud, Contraffice has built an overview of "regular" traveling patterns between any two given ports by analysing the routes of many containers transported by a given carrier. Any movement that deviates significantly from that regular pattern (which may involve irregularities in many aspects, e.g. preferred itineraries, typical sequences of handling operations, average number of loaded containers, etc.) generates a warning signal.

The JRC is currently extending the application of Contraffice to render it more suitable for analysing container movements in situations other than fraud such as illicit trade in security sensitive goods. This would imply that Contraffice would be able to contribute to security related initiatives, such as the Proliferation and Container Security Initiatives, in the following manner:

- PSI: Contribute to intelligence related to maritime interdiction operations by providing historical movements of cargo on intercepted vessels; support interdiction operations before loading cargo on vessels by providing risk factors/indicators (developed on the basis of several parameters including specific trans-shipment ports, origin from proliferation states of concern, analysis of itineraries, etc.)
- European response to CSI: support control of European ports by providing in real time risk factors/indicators for incoming containerized cargo (developed on the basis of several parameters including specific trans-shipment ports, origin from proliferation states of concern, global analysis of itineraries, etc.)

## **Preparatory Technical Work**

It is essential to proceed with additional technical work. In that perspective, valuable experience from various arms control agreements could contribute significantly. For example in the Chemical Weapons Convention, Strategic Arms Reduction Treaty (START), Comprehensive Nuclear Test Ban, Threshold Test Ban and Open Skies Treaties technical expert work on verification methods, technologies and equipment prior to and during negotiations was essential for the design of the verification provisions of a treaty and for their implementation. Such expert work on a Code of Conduct for containers might include the establishment of provisional technical systems to demonstrate feasibility and capabilities.

Research, development and technical engineering work is already under way to develop new equipment and to test it in harbors. It is essential to continue and expand this ongoing work, especially on new seals, new sensors and more secure containers and harbors. It is also crucial to start working on an integrated information system and establish and test a provisional security system covering, for example, the main ports of Europe and the U.S. and the traffic that is handled by the main carriers (see Operation Safe Commerce above).

# Proposal for a Multilateral Agreement on Container Security

Container security is not just a national issue for a single country, but rather an international issue and it should be implemented on a global scale for all modes of transport in order to work satisfactorily. The current initiatives discussed above, while providing a good start at improving security arrangements for container transport, do not address the end-to-end security problem. There is no over-arching framework to address the container security problem that builds on the current bifurcated approaches of treating the customs and transportation elements separately. A government-sanctioned, multilateral regime is needed to provide security accountability standards for all elements of container operations. Such an approach could lead to a harmonization of security requirements that can be applied to the container transportation operations from beginning to end: importers/exporters, port authorities, and shipping industry.

Within such a framework, it would be possible to formulate a market-based set of incentives that would be driven by an enhanced security regulated environment. Realization of a Code of Conduct requires a strong push from governments and the active participation of industry. A multilateral Code of Conduct should make it possible to obtain the needed cooperation of all the stakeholders if the enhanced security is seen as “leveling the playing field” and if there were strong economic incentives for industry. Strong continuing oversight of the security regime is also required.

It should be noted that there is currently no forum in which governments, industry and international organizations can discuss the development of a more encompassing Code of Conduct. Identification of such a forum should be a priority to develop the details of a Code of Conduct. In the light of its increased engagement in transport security, the WCO might be the proper forum to bring all the transport stakeholders together and facilitate an international agreement on Container Security.

We have previously identified a number of factors that contribute to the risks in container transport, such as:

- Almost 50 million containers capable of carrying large, heavy loads of materials, including high explosives and WMD that could be used for terrorist activities, are routinely transported around the world and a single one could pose a deadly threat;
- Only two percent of all containers that pass through a harbor or any other transport hub are inspected;
- The basic transport document, the bill of lading, describing the content of the container is rarely verified;
- The transport chain is not fully transparent and it involves a number of actors, many of whom are business companies;
- No authority or industry is fully responsible for the security of the entire transport chain from sender to receiver, although national customs services are fully involved;
- Although the transport history of the container might be known to a large shipping company, there are no established procedures or systems for sharing this information;

- During the initial part of transport many containers are for a long time in the custody of a single truck driver traveling large distances.

## **Purpose of agreement**

An agreement on container security should significantly reduce the security risks in container traffic while facilitating fair and efficient global trade. As recognized by another study group that examined the container security issue, “International agreements to coordinate standards and to develop protocols for authoritative action will be essential. A suitable institution with membership that includes the majority of trading states should follow the testing programs and prepare options for such agreements.”<sup>15</sup>

An agreement on container security could contain the following elements:

- commit States and transport actors (shipping companies, harbor authorities, etc.) to promote fair, efficient and secure global trade;
- commit States and transport actors to prevent containers from being used for illicit purposes;
- commit States to put all international container traffic under effective control;
- include strong national implementation measures that provide incentives for the transport industry to comply with the Code;
- establish an international cooperative regime that will support the authorities and industry in implementing the agreement.

## **International Measures**

National authorities in States Parties to the agreement would be responsible for establishing secure container transport in accordance with this new agreement, with existing international commitments and with national legislation. Internationally established norms and procedures and co-operative verification measures would be designed to support the national authorities and the commercial actors.

The international measures would:

- Establish document standards and procedures for transmission and checking the authenticity of such documents using modern technology;
- Establish procedures for verifying declarations at points of origin;

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<sup>15</sup> “Container Security Report,” Stanford Study Group, CISAC Report, Board of Trustees of the Leland Stanford Junior University, January 2003, 29.

- Establish standards and procedures for checking containers at harbors and at similar control posts for trains and trucks. Such standards and procedures would apply to the use of radiation detectors, thermal or x-ray imaging, swipes, and air samplers;
- Establish procedures to monitor container movements in and out of harbors, including transport history, and to make this information available to national authorities along any given transport chain;
- Establish standards for unique identification of containers;<sup>16</sup>
- Establish standards for tamper-indicating seals and a transponder system to be applied to containers;
- Establish procedures for certifying seals, transponders and equipment used for container screening and monitoring in harbors and other checkpoints;
- Assist in the national establishment of equipment and checking procedures in harbors and other checkpoints;
- Assist in the training of personnel in national authorities.

## **Implementing organization**

Existing arms control treaties and agreements have shown that the governing and implementing organizations can be of varying sizes and can have different responsibilities. Some treaties are essentially lacking a central authority whereas others have a large implementing organization to operate verification systems, conduct on-site inspections as well as analyze, and in some cases also assess, the information collected.

An international coordinating mechanism would be required to oversee the implementation of the Code of Conduct by the Parties. The tasks of the ICM will consist of the development and review of the measures delineated above.

The international coordinating mechanism will consist of a General Conference of all States Parties meeting on a regular basis, Working Groups and a small Secretariat. Working Groups will deal with specific issues and report back to the General Conference. The Secretariat will prepare the conferences, support Working Groups and assist in the oversight of the implementation of the Code. Industries that have adopted the obligations of the code may participate as observers in the General Conference and may participate in the work of the Working Groups, as appropriate.

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<sup>16</sup> According to ISO standard 6346 (Freight Containers-coding, identification and marking) the Bureau International des Containers (BIC) allocates an owner code to every container owner or operating company. Most, but not all, containers have such a code stamped on them. Codes are listed in the Official Register “Containers BIC-code,” accessible at [www.bic-code.org](http://www.bic-code.org).

To implement a Code of Conduct on container security, it should be realized that international container traffic is only one--albeit important--part of international trade. It should be explored whether an existing, preferably worldwide, organization involved in international trade, such as the IMO or the WCO, could serve as the implementing organization. This would be a new mission. Maximum cost-benefit could be gained by sharing the governing body, secretariat, training facilities etc. of such an organisation.

## **Legal framework of an agreement**

Agreements can be successfully concluded within different legal frameworks. The maximum binding force is obtained through a legally binding international treaty. Non-legally binding instruments, including agreed codes of conduct, memoranda of understanding and UN resolutions can also be useful frameworks for security arrangements.

To establish a Code of Conduct on Container Security might be a suitable solution. Such less formal agreements exist, for example in the Hague Code of Conduct on Ballistic Missile Proliferation and in the different export control regimes such as the Nuclear Suppliers Group. Although less formal and not legally binding, a Code of Conduct could still be implemented by national application measures or EU legislation, where necessary.

Container traffic involves a large number of actors around the globe, including business companies, customs authorities, and international organizations such as IMO and the World Customs Organization (WCO). It is clear that shipping companies and port authorities will play a major role in implementing any new security measures. In order to gain their support for such efforts, as well as to assure that these efforts are realistic and effective, industry should be consulted and brought into the process at an early stage. As industries are concerned about new costs, delays, added responsibilities and possible inequities in competition, it would be in their self-interest to take the lead in formulating more effective procedures, rather than having them imposed by governments. An initiative by the largest operators-- for example, AP Møller, PSA Singapore, P&O Ports, and Hutchinson Hong Kong— might lead the way to a broad engagement of industry.

Different arms control agreements, such as the Chemical Weapons Convention (CWC), the Nuclear Non-Proliferation Treaty (NPT) and several export control agreements show that it is possible to conclude and implement security related agreements when many actors, including industry, are involved. These agreements involve cooperation among governments, industries and national and international agencies. They also require that governments impose regulations on industries as well as national implementation measures. The success of the CWC was partly due to the support of the chemical industry, which resulted in some measure from the fact that they were valued participants in the formulation of the CWC. Some attribute the reasons for failure of the BWC verification protocol in part to the lack of consultation process with the industry during the negotiations. Similarly, in a multilateral agreement on container security there should be incentives to make different stakeholders cooperate. It could also contain provisions similar to other agreements that allow states to assist each other in developing their knowledge base and technical abilities regarding container security.

It has proven possible to agree on and to implement extensive and intrusive on-site inspection measures also involving sensitive facilities and private industry. On-site inspections that are regularly carried out are a valuable confidence building measure.

Highly technical monitoring and information sharing systems, also with global reach, have been successfully developed, agreed upon and implemented.

The Code as outlined in the Annex is proposed to be an agreement among States. An agreement should be open for adoption by all States and the EU, with the aim of achieving universality. Relevant international organizations such as the World Customs Organization (WCO) and the International Maritime Organization (IMO) should also be closely associated with the Code. States should provide strong incentives for industry to comply with the Code. For example, shipping companies that strictly adhere to a safe container code could pass through an “express lane” that would process their containers more rapidly than those that don’t.

## **Economic and Business Considerations**

The purpose of the Code of Conduct is to provide enhanced security, increased confidence in the transport chain and reduced risk of a disastrous interruption in world trade. The cost of such a large-scale interruption is hard to estimate, but in light of world trade estimated at \$10 trillion per year, the cost could easily be measured in the hundreds of billions. A more secure container regime could easily pay for itself if it significantly reduced theft and revenue losses due to smuggling. Worldwide theft losses in container commerce appear to be in the range of \$20 billion per year, with billions more lost in uncollected taxes.

The costs of establishing and operating an enhanced container security regime can be discussed on three levels: the national cost of establishing and operating the enhanced security measures at individual sea and inland ports, train and truck collection points and borders; the cost of establishing and operating the international coordinating mechanism; the additional operational costs to the transport industry to do business in the enhanced security regime.

Some of the above costs would be of an investment nature and could be phased in over time. Some of the costs would be a national responsibility, some a shared expense among parties to the security regime and some would be borne by the commercial shipping industry. A preliminary discussion of each of these costs is provided below.

The enhanced security regime envisions the establishment of scanning sensors at participating seaports, train and truck collection points and borders. Although it would not be necessary to use standardized equipment, all equipment would have to be certified to meet interoperability and performance standards. This would be analogous to the use of certified baggage screening equipment in aviation transport. The cost to install, operate and maintain the standard scanning equipment would be borne on a national level.

The cost of establishing and operating the international coordinating mechanism should be shared by participating States according to a scale of assessments to be agreed upon. The costs would consist of convening meetings by the international body and its working groups, and establishing and maintaining a small Secretariat.

Enhanced container security reduces the risk that a catastrophic event will occur and that industry will suffer from the severe consequences to its business. This should be the prime driving force for industry to join the code. It is also essential that the enhanced security measures provide clear rules that are generally applied and that provide an even playing field.

The cost for industry to improve security and to implement the obligations of the code falls into two main categories:

- to decrease the vulnerability of the containers by applying more secure seals and, over time, to apply more advanced sensors to create “smart” containers. As far as hardware is concerned, a RFID seal would cost only a few dollars, while an existing container could be turned into a “smart” container for probably not more than \$100;
- to improve the collection, documentation and the exchange of information related to the content and the travel history of a container. This requires more stringent procedures to verify the bill of lading and to monitor and document the movements of the containers. Most of this information is already available to the main transport companies but procedures for information exchange have to be developed and implemented.

No port or company should be placed at a disadvantage with respect to its competitors as a result of adopting the code. On the contrary, with the use of appropriate incentives, an effective system would result in a competitive advantage for ports and companies that complied with the code with respect to competitors that did not. In order to encourage industry to apply the Code, States should create incentives that facilitate their business. For example, businesses that adopt and apply the standards set out in the Code would benefit from fast “green lane” procedures at borders and check points, fast and computerized document handling and other procedures that could be worked out in consultation with industry.

## **Negotiations—Next steps**

The most urgent next step is to explore and mobilize the political will to negotiate a Code of Conduct on Container Security and identifying a proper forum for such negotiations. Consideration of container security is taking place in individual states (in particular the United States), in international fora such as the EU and OSCE, as well as organizations such as the IMO and WCO and among industries.

The negotiations of a Code of Conduct envisioned here would best be held among States in a worldwide forum with the participation of international organizations and industry. As there is no natural entity that has the mandate to take such an initiative, there is a need for an individual actor to initiate the process. Negotiations might be conducted within the framework of the IMO or the WCO, for example, though neither has the full responsibility for the entire transport chain. Alternatively, one country could take the initiative to call for an international conference to develop a Code of Conduct; the creation of the Ottawa Treaty banning anti-personnel landmines is an example of such a negotiation among the willing.



The EU or the OSCE might be able to agree on a regional Code of Conduct that could be expanded globally. Another possibility would be that the G8 plus China initiate the development of a code during their summit meeting in 2005 by creating a negotiating process. The expanding economy of China and the importance of Hong Kong in the world container trade would be an incentive for China to join such a negotiation as a follow up to the G8 Summit Agreement in Kananaskis of 2002, where the G8 agreed to develop pilot projects to model an integrated container security regime.

The attached draft outline of a Code of Conduct is provided to facilitate further consideration. It contains elements that could be examined by Parties in a negotiating forum.



# Annex: Draft Outline Code of Conduct on Container Security

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## **Preamble**

The Participating States:

Bearing in mind the need for secure, reliable, efficient and cost-effective commerce;

Cognizant of the important role of containers in world trade;

Noting the increasing threat of terrorism and the risk that containers may be misused to smuggle weapons of mass destruction or to inflict catastrophic damage on the transport infrastructure;

Recognizing the global reach of the threat and of the effects of a catastrophic event as well as its human, social, economic and political consequences;

Bearing in mind and building upon previous activities by the United States (CSI, CTPAT and PSI), the EU, and international organizations such as the WCO and the IMO, and industry, none of which, however, covers the whole international container transport chain;

Convinced that a global Code of Conduct is the proper framework to address the security of the entire international container transport chain (seaborne, inland waterways, truck, rail);

Recognizing the important role of industry in developing and implementing a Code of Conduct, as well as the need to avoid competitive disadvantage within the industry;

Bearing in mind that a Code of Conduct would also be useful to address theft and other forms of illicit trafficking (people, small arms, drugs, cigarettes, etc.);

Noting that additional bilateral or multilateral arrangements are not precluded by such a Code;

Have decided as follows:

## **Article 1**

The Participating States adopt this International Code of Conduct on Container Security. Parties undertake to establish the appropriate rules, regulations, procedures and legislation to implement the articles below and to do all in their power to enforce the Code.

## **Article II**

Each Participating State undertakes to:

- promote fair, efficient and secure global trade;
- prevent containers from being used for illicit purposes, in particular for terrorist acts and for the transport of weapons of mass destruction;
- put all international container traffic under effective control;
- adopt strong implementation measures that provide incentives for members of the transport industry to comply with the Code;
- establish an international cooperative regime that will support authorities and industry in implementing the agreement.

### **Article III**

The Participants further agree to establish and employ the following measures:

- agreed standards and procedures for preparing and maintaining transport documents (bill of lading, etc.) and assuring the accuracy and authenticity of those documents along the transport chain;
- agreed mechanisms for sharing transport information as appropriate;
- certified equipment for the identification and scanning of containers at ports, borders and other transfer points;
- certified equipment for maintaining integrity and continuity of knowledge such as seals, radio frequency identification devices (RFIDs) along the transport chain.

The Participants further agree to:

- assist other Participants in the practical implementation of the Code of Conduct, such as training officers, developing, acquiring, installing and operating equipment at harbors, and applying the techniques and procedures needed for its implementation;
- cooperate with each other in the identification of possible illicit trafficking.

### **Article IV**

The Participants further undertake to establish an international coordinating mechanism (ICM) to oversee the implementation of the Code of Conduct by the Participants. The tasks of the ICM will consist of the development and review of the measures specified in Article III, including:

- standards and procedures for preparing and maintaining transport documents
- mechanisms for sharing transport information as appropriate;

- procedures to verify the bill of lading;
- identifying and scanning containers at ports and other transfer points;
- specifications for seals, transponders and scanning equipment at ports;
- measures to verify implementation of the agreed procedures and technical equipment;
- procedures for certification that equipment, procedures, and protocols to be deployed meet the agreed standards under this Code.

#### **Article V**

The coordinating mechanism will consist of a General Conference of all Participating States meeting on a regular basis, Working Groups and a small Secretariat. Working Groups will deal with specific issues and report back to the General Conference. The Secretariat will prepare the conferences, support Working Groups and assist in the oversight of the implementation of the Code. Industries that have adopted the obligations of the code may participate as observers in the General Conference and may participate in the work of the Working Groups, as appropriate.

#### **Article VI**

Each Participant will designate a point of contact for the implementation of the Code of Conduct that will be the interface to the international coordinating mechanism and the other Participants.

#### **Article VII**

Each Participating State further agrees to finance the costs associated with the international coordinating mechanism, based on a scale of assessments to be agreed upon by the General Conference.