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## **Securing the trade supply chain**

*In the wake of the release of the ranking by Transported Assets Protection Association of cargo thefts among nations, MIMA's Senior Fellow Nazery Khalid stresses the importance of every player along the trade supply chain to be responsible for the security of his immediate operating domain*

### **Of stolen cargos and condoms**

The recent report on the staggering value of cargos stolen in Malaysia may have triggered "Shiver me timbers!" expressions of surprise among many. It seems jarring for a progressive country like Malaysia to be ranked unfavorably in terms of the security of its trade supply chain, the network of resources, information and capital that links importers and exporters.

According to US-based watchdog Transported Assets Protection Association (TAPA), almost RM70 million worth of cargos were reported stolen in Malaysia in 2010. Of this amount, robberies and hijackings accounted for RM64 mil.

It is rather unfortunate that despite its overall image as a safe place to do business, Malaysia owns the dubious tag of being one of the world's hotspots of cargo thefts. TAPA's ranking puts Malaysia in the company of countries like Mexico, Brazil and several Eastern European countries where, according to the association, cargo thefts are common.

It is scant consolation that Malaysia ranked second in the Asia Pacific region behind trade powerhouse Hong Kong in value of cargos stolen, and Australia, another major trading nation, came third in the TAPA survey. This is one ranking in which no one wants to be placed up high.

As if supporting the TAPA report which was announced in the Malaysian newspapers on 14 February 2011, 726,000 condoms worth RM4.5mil. were reportedly stolen en route from Malaysia to Japan, one of the former's main trading partners. The case, which was reported three days after Valentine's Day and received worldwide coverage, certainly warrants serious probing by the authorities. To date, four suspects have been nabbed for questioning, and a successful prosecution of the perpetrators will help restore confidence on the state of security of Malaysia's trade supply chain.

The estimated RM4.3 mil. worth of cargos stolen from Malaysian transport terminals last year may raise questions on the security of the nation's trade gateways, which feature world-class airports and seaports. The nation's major ports boast facilities to match the world's best and its main seaports are ISPS Code-certified, which is granted to ports that meet high international security standards.

The TAPA ranking and the condom heist demand the attention of the stakeholders on the vulnerability of the trade supply chain in Malaysia to thefts. They certainly do not augur well with the country's standing as one of the world's top 20 trading nations.

It can be argued that given the huge amount of trade conducted by Malaysia, the value of stolen cargos is negligible, and cargo owners are after all covered by insurance. However, there could be other cases of cargo thefts which were not reported in the media.

Any rankings must be taken with a pinch of salt. But that said, Malaysia could well do without being included in a ranking by an influential body that can generate bad PR for the country. The country simply cannot afford bad publicity at a time of stiff competition to attract shipping lines and to lure foreign direct investment.

The problem of cargo theft in Malaysia is far from endemic. However, if resolute measures are not taken to address the issue, it would not help to inspire confidence among the trade, business and investing communities in the security of the country's trade supply chain.

### **Stolen cargos tell no tales**

Cargos stolen do not just involve theft at trade gateways such as ports and airports, and hijacking of trucks carrying containers and various products in transit. Cargos can also be lost to thefts

onboard ships; to siphoning of liquid cargos such as petrol and palm oil; and to financial and documentation fraud.

According to TAPA, stolen cargos in Malaysia mainly end up in the Asian black market. TAPA also stated in the report that most of the cargo thefts in the country were masterminded by the same syndicate.

The name *Geng Mamak*, believed to be behind some of the most high-profile cargo heists in the country, springs to mind. So well-known is this notorious crew of ‘cargo criminals’ that it has been featured in the popular cable TV channel *Crime and Investigation Network*.

In a report on cargo vulnerability, Lloyds Register Quality Assurance listed several high-profile industrial sectors which are most at risk of cargo theft. They include the manufacturing sector; oil and gas industry; food and beverage; chemical and pharmaceutical; and logistics and freight forwarding.

For Malaysia, these sectors contribute significantly to its trade and economic growth and has tremendous multiplier effects. Hence, the stakeholders must take seriously the issue of security along the supply chain, or the network linking the producers/suppliers to the end users/consumers, of these sectors. Any impediment to the smooth flow of goods along the supply chains of these crucial sectors would not be conducive to promoting trade growth and investors confidence.

The case of stolen condoms brought back memories of the daring theft of computer microchips and motherboards worth US\$12.7 million at Bax Global Logistics warehouse within the Batu Maung Free Commercial Zone in Penang in 2006.

Although cargo thieves are at times aided by insiders, there is no denying the ‘professionalism’ and capabilities of the thieves involved in some of the major heists seen in the country. In the case of the Bax Global heist, the perpetrators were dressed in security guard uniforms and their calculated approach showed meticulous planning and a level of boldness that suggested that they were no weekend robbers.

In response to the Bax Global warehouse robbery, the American-Malaysian Chamber of Commerce expressed its anxiety and warned that US electronic companies were feeling uneasy because of a perceived lack of security along the nation’s trade transport network. One would recall that the goods stolen in that incident belonged to giant American chip manufacturer Intel.

If Malaysia wants to be dropped off TAPA’s list, the stakeholders must work hard at preventing cargo thefts from proliferating. The relevant agencies must also solve cases of cargo thefts efficiently and bring the perpetrators to book to send a strong deterrent message to the criminals and to assure traders, businesses and investors that Malaysia is a safe place.

## **Secure supply chain = Thriving trade**

The long and complex trade supply chain is only as strong as its weakest link. Hence, the onus is on all parties to shoulder the responsibility to secure the perimeters of their area of operations and develop domain awareness of the security situation in their operating environment.

Players along the trade transport network such as port operators, shipping lines, warehouse owners and logistics services providers must invest in equipment, systems and personnel to intensify security within their immediate domain of operations. They cannot just wish for the trade supply chain to be secure without making serious efforts to ensure the security of their own immediate surroundings.

When it comes to securing the trade supply chain, the buck should stop at the doorstep of all the players along the chain. Every single party must assume responsibility of securing their end of the chain to ensure the entire network is safe and secure.

To this end, it would help to have in place some form of a nationwide database for players along the trade supply chain to track the whereabouts and movements of consignments at any given time. By having access to and exchanging such information, suppliers, shippers, freight forwarders and other parties along the chain can plan and adjust routes and resources to transport their cargos along the country to ensure maximum security. Technology must be harnessed to its fullest to enhance surveillance, tracking, risk assessment and response time to neutralize and thwart cargo thefts.

Amid challenging business environment and sluggish world economic recovery, players along the trade supply chain may find the call to spend on beefing up security of their operating environment a hard-sell. While this is understandable to a certain extent, this attitude of seeing spending on security as a mere cost is not useful in promoting a more secure trade supply chain.

The misaligned attitude of ‘thefts only happen to other people’ does not help either. Players along the trade supply chain should realize that without security, trade - which is a key driver of growth for Malaysia’s economy - cannot be conducted smoothly and business cannot flourish.

What is needed is for them to change their perception and start viewing spending on securing the trade supply chain as an investment that is essential to business growth. They must not think of security of the chain as a mere afterthought and as ‘the other guy’s problem’.

For a trade-dependent country like Malaysia, it is paramount that it provides a safe, secure environment to attract investors and facilitate business and trade. It would not help the nation’s cause to attain its lofty ambitions of becoming a regional shipping hub and a globally competitive trading nation by being listed among countries where the security of the trade supply chain leaves much to be desired.

Only by inculcating a culture of ‘security first’ and a high level of awareness and vigilance among all the trade stakeholders can cargo thefts be prevented and Malaysia get rid of the unwanted tag of having a vulnerable trade supply chain.