



2013 Global Cargo Theft Threat Assessment Executive Summary

Prepared by
FreightWatch International
Supply Chain Intelligence Center



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About FreightWatch International

FreightWatch International is a leading provider of global logistics security services, offering tracking and monitoring solutions that provide organizations with cargo security, transparency and supply chain integrity from origin to destination. Using our real-time visibility technology and layered solutions, organizations can actively monitor their cargo anywhere in the global supply chain in order to mitigate the risks associated with theft, spoilage, counterfeiting and more. With operations across the globe, FreightWatch is uniquely positioned to deliver regionally and globally across diverse supply chains.

FreightWatch International is a part of Sensitech, Inc., a leading provider of supply chain visibility, enabling global leaders in the life sciences, food and industrial markets to track and monitor assets across the supply chain in order to protect the integrity of temperature-sensitive products. Sensitech is an ISO 9001:2008 company based in Beverly, Mass., with more than 30 sales, service and distribution locations around the world. Sensitech is a part of UTC Climate, Controls & Security, a unit of United Technologies Corp (NYSE: UTX), a leading provider to the aerospace and building systems industries worldwide.

More information about FreightWatch International is available at www.freightwatchintl.com.

The FreightWatch International Supply Chain Intelligence Center collects cargo theft and supply chain risk data from numerous sources across the globe, including but not limited to FreightWatch International's own databases, its customers, law enforcement agencies, industry organizations, insurance industry sources and news reports. FreightWatch International then analyzes that data and reports on cargo theft and supply chain risk across the globe, providing readers, members and clients with up-to-date, actionable intelligence that is crucial for making informed supply chain security decisions.

To register for the Intelligence Center and receive alerts, bulletins and reports, please visit us at <http://www.freightwatchintl.com/intelligencecenter>.

NOTE: This is an abbreviated executive summary of the 2013 Global Cargo Theft Threat Assessment. The full report is made available for clients and partners of FreightWatch International. To request a copy as a client or partner, please contact the Supply Chain Intelligence Department of FreightWatch International.

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Global Cargo Theft Risk: Threat Assessment

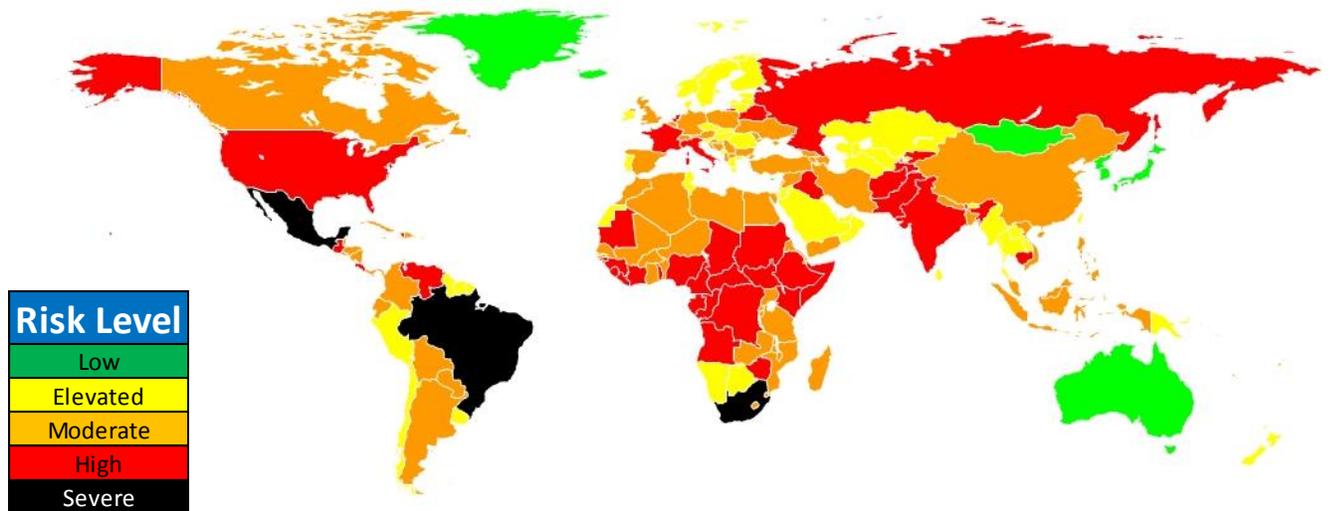


Figure 1 - Global Heat Map

Mexico, Brazil, South Africa, the United States and Russia are the countries most at risk for cargo theft globally.

Global cargo theft risks as shown on the above map vary greatly from country to country. Even within individual countries, risks can vary from region to region. On a country-by-country basis, cargo theft threats, as most other criminal activity, are typically rooted in social, economic and cultural conditions. The prevention of cargo theft on a global scale requires intimate knowledge of incident trends on a regional basis, as security programs and mitigation techniques do not always transfer successfully from region to region.

Organizations must diligently gather intelligence and adapt their anti-theft programs to address local threats. The purpose of this report is to outline the risk of cargo theft on a global level, highlighting significant countries in the global supply chain in order to assist industry decision-makers in determining their supply chain security needs.

According to data collected by FreightWatch International from numerous sources across the globe, including but not limited to FreightWatch International's own databases, its customers, law enforcement agencies, industry organizations, insurance industry sources and news reports, Mexico, Brazil, South Africa, the United States and Russia are the countries most at risk for cargo theft globally.

Unless otherwise noted in this assessment report, when specific theft statistics are noted in this assessment report those statistics are derived from FreightWatch International's own data based on cargo security services provided by FreightWatch International to its customers. As such, total theft figures for a particular country or region are likely higher than stated.

Please note that this assessment report expresses the opinions of FreightWatch International based on the specific data reviewed. Global cargo theft circumstances and risks can and do change, sometimes frequently and/or quickly, and in ways that may make the facts and opinions expressed in this assessment report no longer complete or valid. As such, the extent to which you rely on the facts and opinions expressed in this assessment should be made entirely by you, in your sole discretion, only after careful analysis of all relevant facts applicable to your business.

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The United States reached a new record volume in recorded cargo theft activity in 2012.

North America

Cargo theft in North America varies widely among the three countries. While cargo theft in the United States is predominantly nonconfrontational, with only 2% of all recorded incidents involving violence or the threat of violence, cargo theft in Mexico is almost exclusively violent, with armed thieves roaming the highways and stealing cargo seemingly at will.

The differences do not stop there. Cargo theft in Canada is centered near the country's metropolitan areas, with minimal theft occurring in its rural countryside. Mexico, however, sees thefts throughout the country, regardless of population density.

The United States experienced a slight increase in recorded cargo theft activity in 2012 over the previous year, reaching a new record volume. Mexico saw a massive increase in the number of reported cargo thefts in 2012, and while some of this may be attributed to variances in reporting, most official sources agree that cargo theft is still on the rise in Mexico.

Canadian theft data, while still sparse due to a lack of a centralized recording or information delivery system, indicates that cargo theft is on the rise in this country as well.

United States

FreightWatch International actively tracks and records cargo theft around the globe, categorizing stolen loads under 14 different product types, and tracking by date, location, *modus operandi* (M.O.), value and specific product. This report summarizes the U.S. theft data collected in 2012 and analyzes trends derived from database content, law enforcement information and industry personnel. It also draws on observations by personnel in the field.

FreightWatch recorded a total of 946 cargo theft incidents throughout the United States in 2012. While barely a 0.1% increase over the 2011 total of 945, this is the highest number of theft incidents on record. Additionally, new trends explained in further detail in this report indicate thieves remained determined to obtain targeted cargo.

With an average of 78.8 cargo theft incidents per month, the United States sustained cargo theft incidents at a rate of 2.59 per day. Of these thefts, 766 (80.97%) were full-truckload or container thefts and 41 (4.33%) were less-than-truckload losses.

Deceptive (fictitious) pickups, on the rise since FreightWatch began collecting data, reached a high in 2012 at 61 incidents (6.45%). Facility thefts saw 17 (1.8%) incidents, with only one involving human contact with the thieves, and thus classified as a robbery. Incidents involving violence remained a very low portion of cargo thefts, representing 2.2% of all cargo theft.



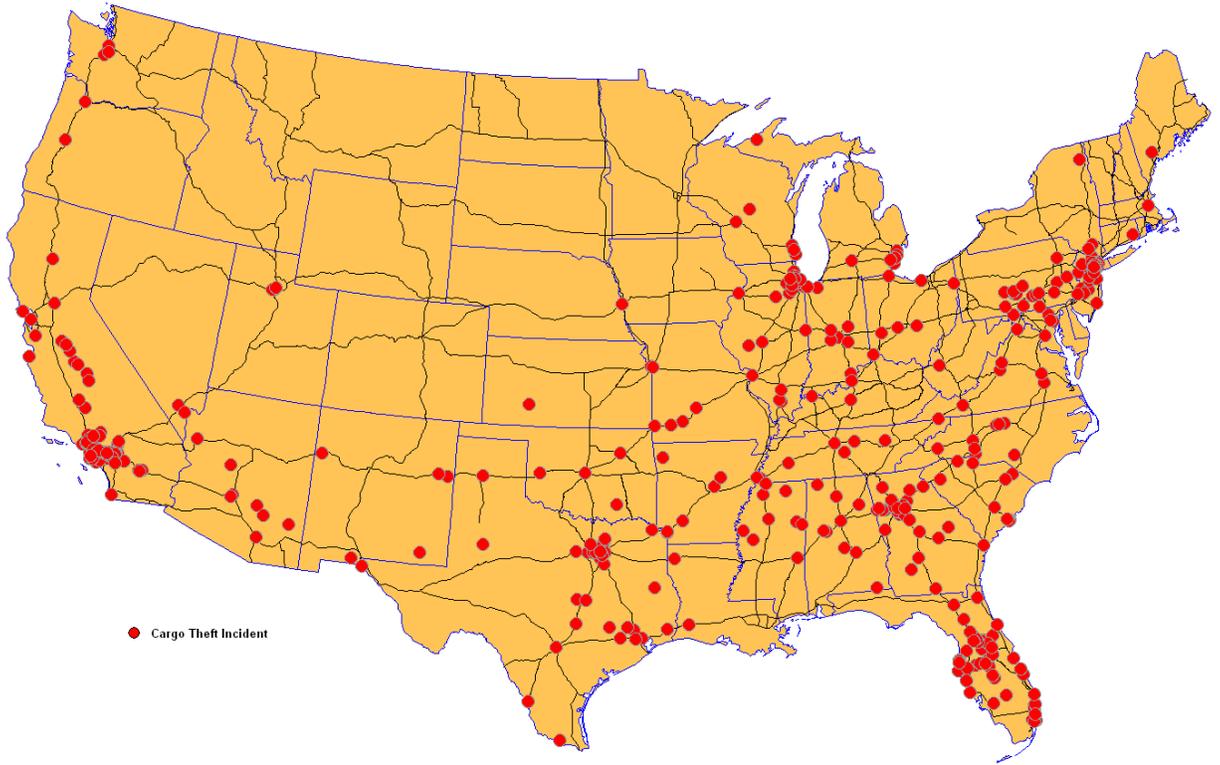


Figure 2 - US Pin Map

Canada

Although the number of recorded incidents in Canada rose by 18% from 2011 to 2012, cargo theft reporting remained sparse, with almost as many notices of recovered freight released as actual theft incidents. Since generally speaking only a small fraction of stolen cargo is ever located, the volume of notices regarding found freight in Canada suggests that the level of cargo theft in the country is much higher than the numbers would indicate. While likely lower than US levels, cargo theft in Canada presents a significant, and growing, threat to shippers.

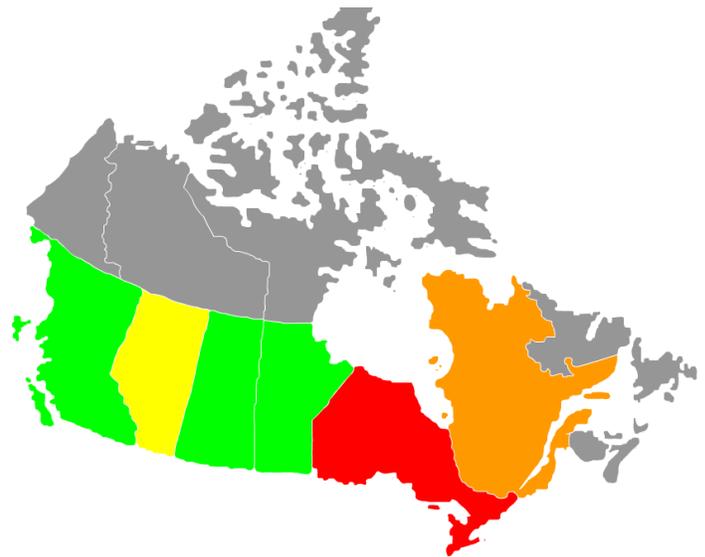


Figure 3 - Canada Heat Map

Mexico

Cargo theft continues to be one of the most serious threats to the supply chain industry in Mexico, with yearly losses estimated in the billions of dollars. As cargo theft incidents continue to rise, some aspects remain constant: Food/Drinks and the Building/Industrial sectors are the most targeted, hijacking is the preferred M.O., and the same cities repeatedly claim the highest incident levels. Cargo theft continues to be at its highest within metropolitan areas, making it easier for thieves to store, sell and distribute the stolen goods.

Central Mexico, the Gulf Coast and the northeastern areas are at highest risk of cargo theft in the country, while all areas are affected by high crime levels.

Cargo theft in Mexico is estimated to cost the supply chain industry billions of dollars per year



Figure 4 - Mexico Heat Map

Central and South America

Cargo theft varied throughout Central and South America in 2012. Some countries continued to experience an increase in theft cases, while others quite extraordinarily saw cargo theft decrease. Among those were Argentina, Guatemala and Colombia. Brazil continued to present this region's most serious risk to cargo security — and its most violent — last year.

Because of the violence involved, the majority of cargo theft incidents in South America were once again classified as hijackings. Though most of these incidents resulted in the release of drivers after the thieves secured the stolen shipment, incidents resulting in the driver's death did occur. This was especially the case in Peru, where more than 50% of all hijackings resulted in the serious injury or death of the driver. For this reason more and more companies are resorting to hiring armed guards. While this proactive effort certainly can thwart thieves, it also led to armed confrontations in 2012 that in some instances ended in the death of the guards, the criminals, or both. Of all the countries that keep cargo theft records in South America, Brazil remained the top location for violent hijackings.

Even though most cargo theft incidents involved hijacking, other methods also were used to steal cargo. Theft by deception was among these secondary favorites. In this M.O., criminals posing as police officers or military personnel set up fake road blocks or checkpoints, and then they force the stopped drivers out of their trucks and steal the cargo.

Faced with the mounting cargo crime scourge, individual countries in South American are starting to pay more attention to this issue. This was most evident in Colombia, which experienced a decrease in cargo crime rates after it increased police presence on the highways. In Brazil, authorities also have begun to increase efforts to thwart cargo thieves across the country.

Brazil

Brazil in 2012 retained its standing as one of the most violent countries in the world in regard to cargo crime. Cargo thieves in this country have little regard for human life, and even less for law enforcement authorities, and they do not hesitate to use weapons.

Official national statistics for all of 2012 have not been released, but the average of theft totals from the previous two years makes Sao Paulo and Rio de Janeiro the

top two states for cargo theft in the country, with a combined 84% of the total reported and recorded incidents.

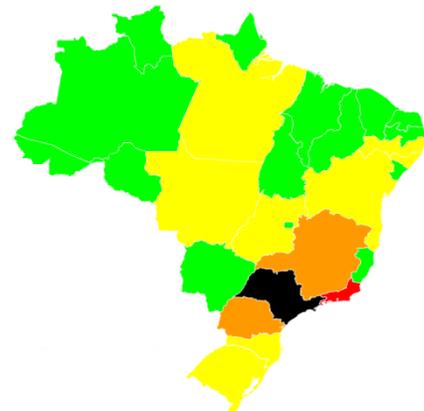


Figure 5 - Brazil Heat Map

Brazil continued to present the region's most serious, and violent, risk to cargo security in 2012.



Historically, cargo theft is estimated to cost the Brazilian economy R\$900 million (\$442 million USD) each year. Moreover, the domestic website Brazil Truck Driver (*brasilcaminhoneiro.com.br*) quoted one industry professional as saying cargo theft gangs are becoming increasingly specialized and are using technology to carry out their crimes.

Venezuela

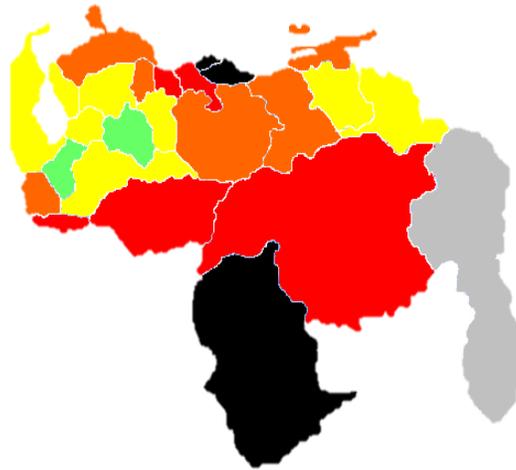


Figure 6 - Venezuela Heat Map

According to Venezuelan media reports, the area of this country with the highest cargo theft rates in 2012 was the capital city of Caracas. Also in Caracas state, the Central Regional Highway, which connects the capital with the industrial cities of Maracay, La Victoria and Valencia, experienced a high number of thefts.

Cargo thieves operating in Caracas state targeted a range of product types in 2012. In the Clothes/Shoes category, shoes were the prime target; Cell phones were popular in the Electronics product type; Wine, beer and liquors were targeted in the

Alcohol category. Thieves also made off with sugar, coffee, chemicals, metals and wood.

Caracas experienced the highest cargo theft rates in Venezuela

Argentina

Available data indicates Argentina experienced a 29% decrease in the number of recorded cargo thefts from 2011 to 2012, dropping from 1,707 incidents to 1,211 last year. This reduction is directly related to the country's declining economic situation, since the reduced demand for products translates to fewer trucks for thieves to target. In addition, cargo thieves have started to target larger shipments, with larger monetary gains, rather than focus on many smaller shipments.

In Argentina, cargo theft incidents are concentrated in Buenos Aires Province, which is comprised of Greater Buenos Aires (city of Buenos Aires and its outlying districts), as well as the surrounding Federal Capital district. In 2012, 79% of recorded cargo theft incidents occurred in Buenos Aires Province, with more than 50% occurring in Greater Buenos Aires (GBA).



Figure 7 - Argentina Heat Map

Guatemala

Continuing a three-year trend, Guatemala City and the town of Palin, both in Escuintla Department, reported the highest cargo theft activity in 2012.

As in most other Latin American countries that experience high cargo theft rates, criminals most commonly targeted trucks in-transit, especially those traveling along three main national highways. Thus, the Inter-American Highway (CA-1), the Atlantic Highway (CA-9) and the Pacific Highway (CA-2) continued to be hot spots for cargo theft in Guatemala last year.

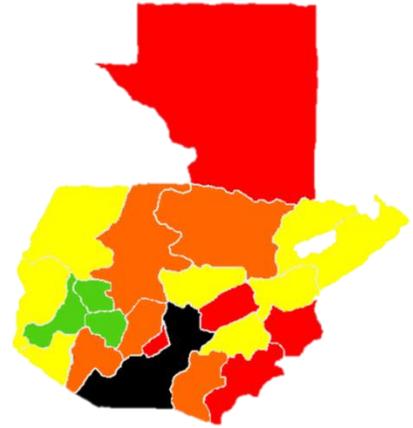


Figure 8 - Guatemala Heat Map

Colombia

Colombia today is safer than it was in 2011

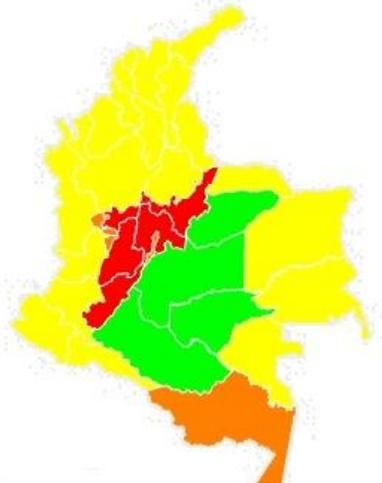


Figure 9 - Colombia Heat Map

Colombia today is safer than it was in 2011. President Santos Calderon and Defense Minister Pinzon Bueno both stated that crime overall decreased from 2011 to 2012. Cargo theft appears to have followed the national trend, with the defense minister stating preliminary statistics showed a reduction in cargo theft of as much as 23% compared with 2011 (*elcolombiano.com*). Security in Colombia is drastically improving, and should continue into 2013, with President Santos Calderon announcing the hiring of 1,000 new officers in the Cali Metropolitan Police Department (*Policia Metropolitana de Cali*).

Though incidents are decreasing, Colombia still has its share of cargo theft incidents, with most continuing to occur in or around the major industrial cities of Medellin, Cali and Bogota and along major highways. Some cases, though, are related to poor logistical practices, according to the Allianz Insurance Co.



Peru

In 2012, the Peruvian capital city of Lima and the greater Lima Province reported the highest volume of cargo theft in the country. Among the reported products most stolen in Lima were Metals and fuels, as well as sugar, coffee and other agricultural products.

Cargo theft in Peru is very violent, as most thieves are opportunistic and never hesitate to use weapons during the attacks. Approximately 50% of all cargo thefts reported by the media during 2012 resulted in the serious injury or death of the driver involved. Most thieves prefer to shoot at trailers from the side of the highway to force drivers to stop, rather than going to the bother of setting up roadblocks or obtaining police uniforms like most of their South American counterparts. Thieves employing this method lie in wait behind trees or fences near the highways or in areas where trucks travel slowly. They begin shooting as a trailer approaches and continue firing until the driver pulls over or escapes.



Figure 10 - Peru Heat Map

**Approximately 50%
of all cargo thefts in
Peru resulted in the
serious injury or
death of the driver
involved**



Cargo criminals in Europe became better organized and more aggressive in 2012

Europe

Cargo theft incidents reported in Europe in 2012 increased by almost a quarter (24%) over those recorded in 2011 — from 555 to 689. Yet cargo crime remained heavily underreported throughout the continent. Furthermore, official freight theft statistics issued by governments and law enforcement bodies remained extremely poor in most European countries despite efforts by various authorities, mainly in The Netherlands and Belgium, to collect and publicize such data. Central and Eastern Europe, in particular, remained a black hole in terms of cargo theft information.

Belgium, Germany, The Netherlands, Italy and France continued to be the focal point of cargo crime in Western Europe, with the United Kingdom (UK), Spain and Austria also recording high rates of theft. The UK, which experienced the most recorded thefts in 2011, dropped to sixth place in 2012 due to a massive drop in reporting after the disappearance of Truckpol, its national freight crime intelligence unit. The Netherlands, meanwhile, moved up strongly on the list of Europe's most targeted countries due to exceptionally good reporting from Dutch police (*Korps landelijke politiediensten-KLPD*).

Like the previous year, theft from trailer at unsecured parking and truck stops by means of cutting the curtain or breaking the lock stood out as the most popular type of incident and M.O. throughout Europe. In fact, not a single country was spared from this type of theft, which continued to be facilitated by the lack of secure overnight parking in Europe. Electronics (smartphones in particular) was the most stolen product category in 2012, followed by Consumer Care, Clothes/Shoes and Food/Drinks.

Cargo criminals in Europe became better organized and more aggressive as they increasingly targeted high-value shipments in 2012. In many instances, the targets of these high-value thefts were carefully identified in advance, even at secured locations. Thefts also became more violent, especially in France and Italy, where the number of hijackings and facility robberies soared in 2012. Deceptive pickups also increased throughout Europe, very often involving fake transportation companies originating in Central and Eastern Europe but occasionally in Western Europe, Italy in particular. Thefts from moving trucks became more widespread as well last year.

The Europe and Africa portions of the Global Threat Assessment are developed by FreightWatch in partnership with the Transported Asset Protection Association (TAPA) EMEA. TAPA EMEA has approved the use of this data for publication in this report.



About FreightWatch and TAPA EMEA

FreightWatch has collected cargo theft intelligence and produced reports for the region since 2006. In November 2010, the FreightWatch Intelligence Division was awarded the TAPA EMEA IIS contract, expanding its intelligence function in the region for TAPA members and partner organizations, including law enforcement agencies.

TAPA represents businesses fighting back against cargo crime that want to use real-time intelligence and the latest preventive measures to protect goods in the supply chain. TAPA is a unique forum that unites global manufacturers, logistics providers, freight carriers, law enforcement agencies, and other stakeholders with the common aim of reducing losses from international supply chains.

The association's mission is to help protect its members' assets by:

- Exchanging information on a global and regional basis
- Cooperating on preventative security
- Increasing support from the logistics and freight industry and from law enforcement agencies and governments
- Promoting and enhancing TAPA's globally recognized and applied security requirement



Germany is the most attractive place for cargo thieves in Europe.

Germany

For many reasons Germany is probably the most attractive place for cargo thieves in Europe. The economy continued to grow in 2012 and industrial output was high, whereas the rest of Europe struggled with the ongoing economic crisis. As a consequence, the volume of high-value goods shipped throughout Germany, especially by road, rose by more than 5% in 2012. In addition to strong domestic activity, Germany is Europe's main transit hub for both east-west and north-south cargo traffic. German highways are packed with valuable shipments, which naturally attract criminal gangs, especially from

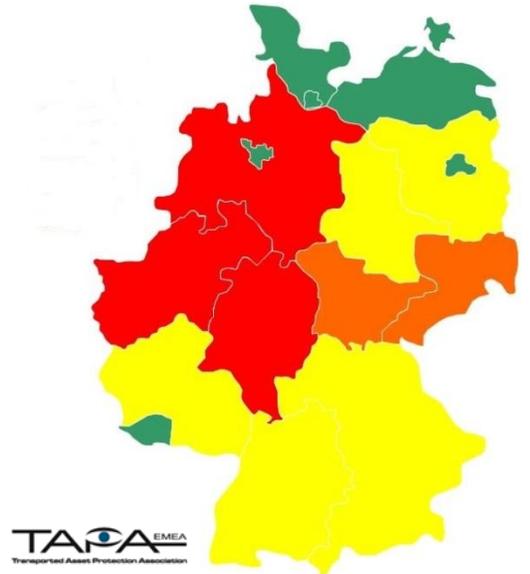


Figure 11 - Germany Heat Map

Eastern European countries. Geographic proximity and fast road connections mean stolen goods can easily and quickly be slipped into Poland, Hungary, the Czech Republic, Romania or Ukraine, where they are sold or stored.

France

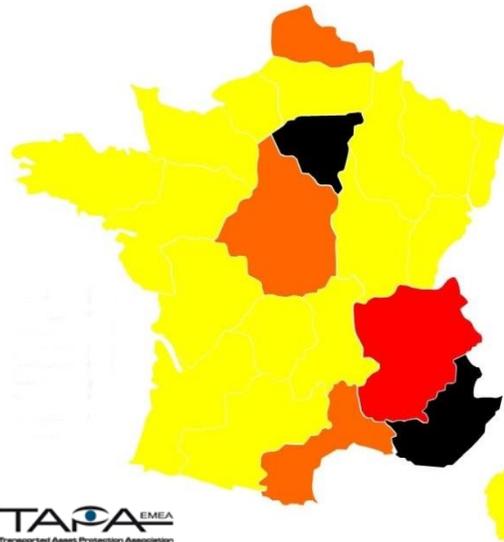


Figure 12 - France Heat Map

Cargo crime is a very serious and disconcerting issue in France, and incident numbers are clearly on the rise. Official data published by the French National Observatory of Crime and Criminal Responses (*L'Observatoire national de la délinquance et des réponses pénales-ONDRP*) shows that an average of about 35 thefts of loaded trucks or trailers were reported to police every month in 2012. Over the whole year, more than 400 such incidents were recorded, compared with fewer than 300 in 2011. The 2012 annual ONDRP report indicates that the number of thefts of trailer with load increased by more than 30% between

2011 and 2012. This is without taking into account the surely high number of unreported incidents. Cargo crime in France, as elsewhere in Europe, remains massively underreported.

Italy

In 2012, cargo crime remained a serious issue in Italy, although heavily underreported and poorly documented as very few official statistics were available from the government or law enforcement authorities. The rare data published by the Interior Ministry in 2012 indicates that in 2011 a total of 2,416 trucks and their loads were stolen in Italy. This is more than six per day even without considering the likelihood that an even higher number of thefts go unreported. (Interior Ministry numbers for 2012 had not been released when this report was prepared.)

Despite the bleak situation, Italy still lacks a viable government or law enforcement strategy to tackle cargo crime, which of course means criminals face few deterrents on those fronts. The increasing infiltration of the mafia into the Italian road transport sector could be another explanation for the worsening cargo crime problem — and also a reason for the increasingly violent and sophisticated incidents. Organized crime has indeed taken advantage of the current economic crisis and the financial difficulties many Italian road transport companies are facing by buying stakes in the companies or taking them over completely. These enterprises are then often used as fronts to launder money obtained by illicit means or to commit cargo theft by deception.



Figure 13 - Italy Heat Map



Figure 14 - UK Heat Map

United Kingdom

While cargo crime reporting in the UK has been among the best in Europe for years, the flow of information on freight theft almost dried up after TruckPol, the UK's national freight crime intelligence unit, ceased activities in March 2012.

With cargo crime reporting by police and media at the local level traditionally sparse, the only official statistics available thus far for 2012 came from a new Commercial Victimization Survey (CVS) published by the UK Home Office in January 2013. The survey reported a stunning 324,000 crimes nationwide against warehouses and other facilities in the “transportation and storage sector.” This sector includes businesses that transport both freight and passengers by road (including taxis), as well as by air, sea and rail. The crimes listed in CVS include robberies,

The UK, which experienced the most recorded thefts in 2011, dropped to sixth place due to a massive reporting drop after the disappearance of Truckpol.

burglaries, assaults and threats, fraud and acts of vandalism. In 26,000 reported cases, the incident involved “theft from vehicle” (without further specification), while 2,000 incidents reported were theft of vehicle. The data does not specify whether violence was a factor in vehicle-related thefts. According to the CVS, the UK also had 9,000 facility burglaries in the transport/storage sector in 2012, and the same number of facility robberies. The previous CVS was published in 2002, making a direct year-to-year comparison impossible.

The number of cargo theft incidents recorded decreased considerably in 2012 as compared with 2011 (when the number had already been lower than in the previous year). Again, this is primarily a consequence of TruckPol’s disappearance and continued lack of reporting, including in the media. Anecdotal evidence from industry professionals, however, suggests that it has risen in recent years, including in 2012.

Spain

Although cargo crime is massively underreported in Spain, it is believed to be a growing threat. This is the case despite the fact that the number of transport trucks on the roads has dropped substantially over the past few years due to the continuing economic crisis. Guardia Civil, Spain’s national police, do not publish yearly or monthly cargo crime data. In 2012, however, it stated that the number of recorded freight theft incidents in Spain is “a few hundred cases” per year.



Figure 15 - Spain Heat Map

The Netherlands



Figure 16 - Netherlands Heat Map

The Netherlands made remarkable progress in the fight against cargo crime in 2012. Figures published by the KLPD show that the number of reported theft incidents dropped by more than 50%, from 635 to 305, during the first three quarters of 2012 compared with the same period in 2011. (The fourth quarter report had not been released). One reason for this spectacular plunge, according to Dutch authorities, is the breakup of three major criminal gangs and the arrest of more than 50 suspected gang members in late 2011 and early 2012. Police believe these gangs were responsible for dozens of cargo thefts, especially in the county’s south. Dutch authorities also have

considerably increased efforts to collect and disseminate information about cargo crime. In 2012, KLPD regularly published data on freight and truck thefts, becoming one of the most transparent law enforcement authorities in Europe on matters of cargo crime.

Belgium

A well-developed highway network, significant industrial and commercial sectors, and the Port of Antwerp (Europe's second largest after Rotterdam) make tiny Belgium an important transit country for valuable shipments. Squeezed between Germany, France, The Netherlands and Luxemburg, and easily accessible from all sides, the small country emerged in

2012 as a hot spot for cargo crime, despite considerable efforts by Belgian Federal Police (*Police Fédérale*) to combat it. The number of reported freight thefts in our database increased by more than 20% in the past year, from 119 incidents in 2011 to 142 in 2012. The high figure needs to be put into context, however, as Belgian authorities actively collect — and publish — cargo theft data, while many countries don't even record thefts.

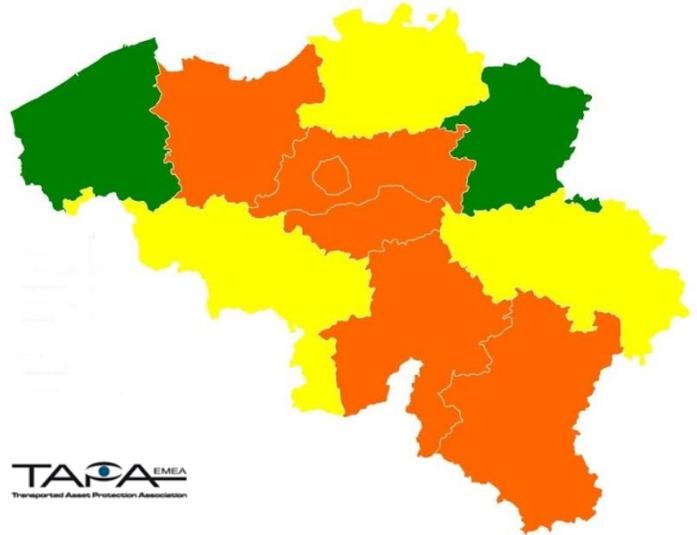


Figure 17 - Belgium Heat Map

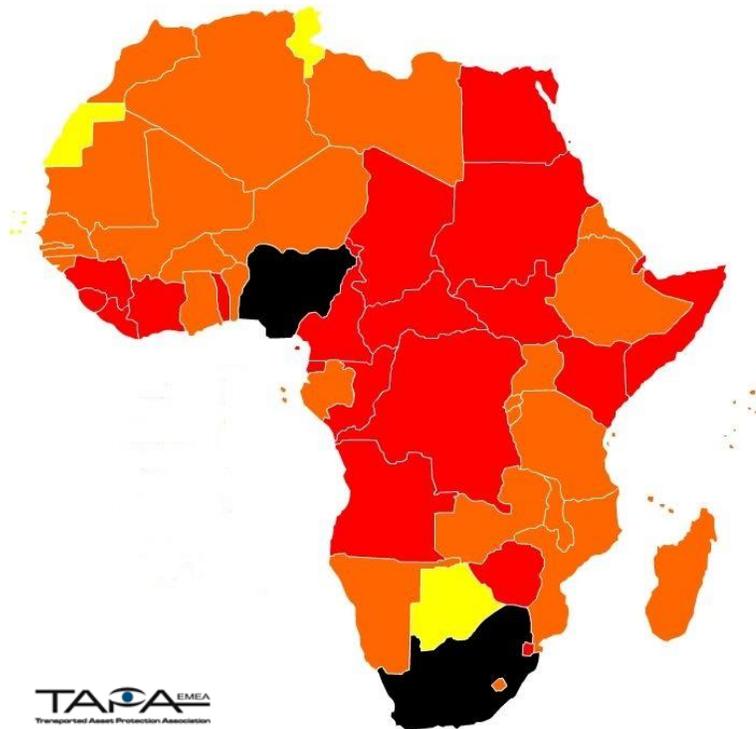
Squeezed between Germany, France, The Netherlands and Luxemburg, and easily accessible from all sides, Belgium emerged in 2012 as a hot spot for cargo crime.

Russia

Cargo theft in Russia remained massively underreported in 2012, likely for reasons similar to those heard in many Western and Eastern European countries. These include concerns of reputational risks among victimized companies, bureaucratic red tape for crime reporters and low probability that crimes will be properly investigated. In the rare case a cargo theft incident is reported to Russian police, it falls under the responsibility of multiple territorial police departments depending on where the loss occurred, and then is treated the same as any other type of theft. As a result, there still are no specific Russian cargo theft statistics available from government or police authorities — only general theft figures. Based on those, the magnitude of freight crime and cargo theft in Russia can only be estimated. Sources operating in the Russian transport and cargo business estimate that cargo theft represents 15% to 20% of the general thefts.



Africa



The challenges confronting businesses and supply chain managers on the African continent remained basically the same in 2012 as in previous years. Cargo theft, corruption, high rates of crime and violence, poor infrastructure, weak governance, political instability and social unrest are among the major challenges to those doing business in or with most of the countries on the continent.

Figure 18 - Africa Heat Map

Even though the security situation differs from region to region and from country to country, Africa remains, all in all, a risky place. Media reports and travel warnings issued by Western governments provide an indication of which countries are currently the most dangerous:

- **Libya:** Political instability and a highly volatile security situation since the ousting and subsequent death in 2011 of leader Muammar Gaddafi.
- **Kenya:** A high incidence of violent crime and a continuous threat from Islamist terrorists.
- **Guinea:** A shaky political situation with general elections initially foreseen for July 2012 postponed once again, and now scheduled for May.
- **Burundi:** The constant risk of sudden outbreaks of armed violence, acts of banditry and cross-border incursion by rebel groups.
- **Somalia:** The risk of inter-clan and inter-factional fighting, kidnapping and murder.
- **Central African Republic:** A volatile security situation outside of Bangui, the capital.
- **Mali:** A high risk of terrorist attacks, especially since the French intervention in January 2013.

- **Ivory Coast:** The risk of spontaneous unrest and high crime rates, including mugging, robbery, burglary and carjacking.
- **Nigeria:** Stark rise in 2012 in the number of piracy incidents off the coast, as well as a high risk of terrorist attacks and kidnappings on land.
- **Algeria:** Risk of terrorist attacks.
- **Sudan:** Extremely dangerous; bandits and terrorist groups targeting foreign visitors for attack and kidnapping, even in the capital of Khartoum.
- **Republic of South Sudan:** Africa's newest nation and a high-risk area for visitors and businesses, especially in the border region between Sudan and South Sudan.
- **South Africa:** Economically the most important country in Africa and one of the major ports of entry onto the continent; the continent's main hot spot for cargo theft.

South Africa

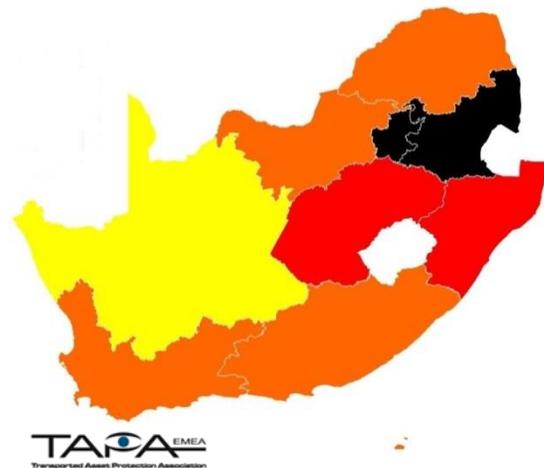


Figure 19 - South Africa Heat Map

Violent cargo crime — truck hijackings and facility robberies — remained a common and widespread issue in South Africa in 2012. This is the case even though the latest crime statistics from the South African Police Service (SAPS) show a 17.8% decrease in the number of truck hijackings between April 2011 and March 2012. According to these figures, 821 trucks were hijacked over the 12-month period as compared with 999 during the same period a year earlier. General economic instability and social unrest in 2012, particularly a violent, three-week trucker strike lasting from late

September to mid-October, also impacted supply chain security in several parts of South Africa. During the successful strike for higher driver wages, many trucks and cars were stoned and burned in sporadic violent outbursts throughout the country — and many trucks reportedly were hijacked and set afire.

The July blackouts in India and the Typhoon that hit the Philippines in October are prime examples of factors other than cargo theft that can seriously impact supply chain operations and security.

Asia

When examining large-scale cargo theft on a global level, the Asian continent is the safest of the seven, presenting moderate levels of overall risk to supply chain operations. However, cargo theft is prevalent, and difficult to control, in some Asian countries and regions. Malaysia and the Philippines both report frequent incidents of in-transit cargo hijackings, with violence or the threat of violence involved in the commission of crimes. In China, on the other hand, small-scale pilferage of cargo is considered rampant and logistics yard burglaries are at the core of multinational business concerns. India is becoming noted for large-scale theft incidents, including truck hijackings and warehouse robberies.

The July blackouts in India and the typhoon that hit the Philippines in October are prime examples of factors other than cargo crime that can seriously impact supply chain operations and security. In addition to infrastructure weaknesses and natural disasters, contributing factors can include regulatory problems, worker strikes/demonstrations, and government readiness and response issues. While the FreightWatch Intelligence Division is focused primarily on cargo theft, we are increasingly looking at these and other issues that can lead to supply chain disruptions in order to provide our readers with a broader spectrum of information they can use to help keep their cargo secure throughout the global supply chain.

China

China is the second-largest economy and the most-populated country in the world, making it tremendously important for business and trade. From January through December 2012, China handled 5.4 million tons of cargo by air, 32.2 billion tons of cargo by highway, and 3.9 billion tons of cargo by rail.

Despite the obvious opportunities for thieves, China historically has been a low-risk country for cargo theft. Companies doing business in and with China, however, have seen

an increase in cargo theft in recent years. Furthermore, as domestic consumption among China's growing middle class increases demand for all kinds of consumer goods in the coming years, cargo thieves can be expected to fully exploit the opportunities.

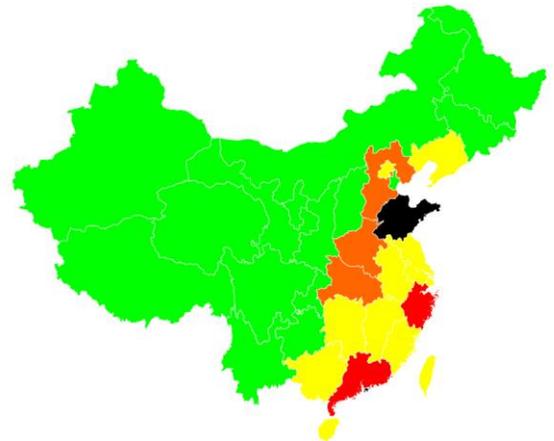


Figure 20 - China Heat Map



Malaysia

A middle-income country today, Malaysia experienced a 5.1% increase in GDP in 2012, fueled by growing domestic demand. Both the International Finance Corp. and the World Bank rank Malaysia as one of the world's most



Figure 21 - Malaysia Heat Map

business-friendly countries due to its easing of the registration time for property transfers and its unique liberalization of services sectors.

Malaysia's growing export sector, combined with the country's unique geographical position on the Malay Peninsula and Strait of Malacca, has allowed Malaysia to emerge as a major trading partner in the global market, with a trade surplus of \$2.66 billion USD in December 2012. With a focus on exports such as home appliances, electronic components, palm oil and natural gas, Malaysia's surging trade in the Asia-Pacific region, particularly Singapore, greatly enhances its importance as a trade route. This state of affairs, combined with increasing domestic demand, will put greater pressure on the supply chain to secure cargo against opportunistic thieves.

Philippines

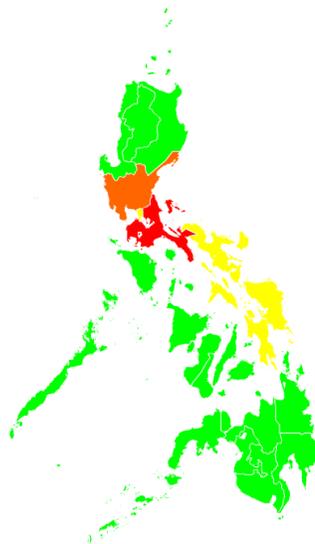


Figure 22 - Philippines Heat Map

Fueled by strong domestic demand in 2012, the Philippine economy grew by 6.6% in 2012, surpassing the government's target of 5% to 6% growth. With the country's central bank keeping interest rates low, continued growth of domestic business sectors and the government's focus on infrastructure improvements, the International Monetary Fund estimates the country's 2013 growth will be around 5.6%.

Although the number of reported cargo incidents in the Philippines remained low last year, it should not be assumed that the country is any safer than others in the region. Thieves' aggressive nature, along with their ability to acquire police uniforms and to enlist the aid of rogue officers in hijackings, poses a high degree of risk to the supply chain.

India

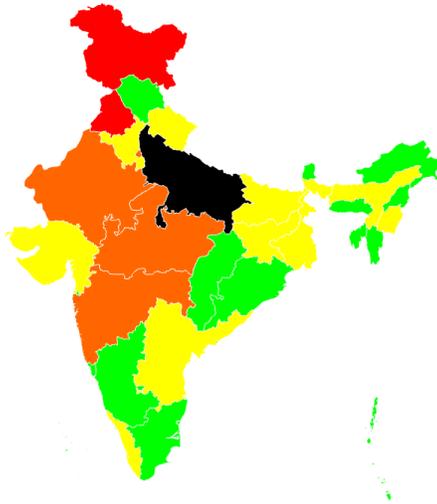


Figure 23 - India Heat Map

The Middle East and North Africa continue to be principal outlets for India's exports, helped by continued strong oil revenue-fueled demand from these countries. Despite Europe's slow recovery, the growing Asian markets, combined with India's wide range of export products and growing domestic demand for consumer goods, keep the supply chain and transport sector humming. This, in turn, provides more and more opportunities for cargo thieves to strike.

With the rapid growth of the economy, an emerging middle class and an increased focus on infrastructure development, India will continue to be an area of potential profit — as well as risk — for the supply chain.

Vietnam

Vietnam's transportation sector suffers from many of the same problems that plague other nations in Southeast Asia, including infrastructure development still in the early stage, government corruption and financial mismanagement. However, strong domestic growth, combined with China's latest effort to strengthen ties with its neighbors, has allowed Vietnam to experience impressive growth.

Vietnam's growing domestic economy, and rising profile on the Asian and international scenes suggest the supply chain industry is heading for livelier times, although underinvestment in infrastructure is a major hindrance. Additionally, problems of corruption and crime in the country will require a great deal of work if Vietnam is to take advantage of the economic growth in the region.

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