

Changing the world, one port at a time

Gearbulk's [Jake Storey](#) explains why the industry needs to collectively tackle corruption



Jake Storey

The Maritime Anti Corruption Network (MACN) is a global business network working toward its vision of a maritime industry free of corruption that enables fair trade to the benefit of society at large. The idea for the network came from the Maersk group in 2011; by November 2012 MACN had signed its seventeenth member, but now it has over 50 members and the membership is expected to surpass 70 by the end of the year.

● Topic: Fraud

I Keywords: Collection action, intelligence, compliance

Background: Fighting corruption to meet increasingly strict legislation should be a shared goal for the shipping industry

MACN was created in response to the UK Bribery Act, however, like the competitive world the compliance environment does not remain static. Only last year Brazil introduced the Clean Companies Act, which some would argue is more stringent than the UK legislation. Additionally, it is well known that the Chinese government is cracking down on corruption. Even though this may be in part politically motivated and has yet to directly impact Chinese ports, there is a distinct possibility this could happen. Who wants to be a ship owner banned from calling in Chinese ports?

MACN is comprised of vessel owning companies within the main sectors of the shipping industry and other companies that are part of the maritime sector, such as leading mining, trading, and oil companies and other maritime service providers including ship managers and port agents. Companies join MACN for different reasons. Some join to improve their compliance programme, while others join to signal to their shareholders, customers, and members of their supply chain their commitment to anti-corruption compliance. Other companies join to develop an improved understanding of the challenges that exist around the maritime world. And yet more companies join because they suffer financially and sometimes physically, through intimidation and violence against the crew, when they comply with the law.

“There is a growing belief that reducing corruption can only be achieved through an integrated approach from all stakeholders, governments, NGOs and international business”



Credit: Allan Watt

No shipowner wants to be the one that is banned from Chinese ports

PRACTICAL WORK

Even though MACN has an aspirational vision the network is very practical: the steering committee includes ex-masters and is focused on making ‘doing the right thing’ in port easier for everyone involved in the maritime sector.

The network holds two members’ meetings a year; the next one will be in London April 22-23, where MACN will hold Chatham House discussions about hot spots and what can be done, share best practice, host sessions on key components of a robust compliance program and listen to key note speakers in this field. A mix of people attend including vessel superintendents, vessel operators and compliance officers.

Part of MACN’s strategy is to support companies in establishing a robust compliance program, therefore MACN has developed, in conjunction with the Global Advice Network (GAN), and with financial support from the Lauritzen and TORM foundations and the Danish Maritime and DS-Orient funds, an online anti-corruption training module for both seafarers and shore based staff, which is free of charge for MACN members.

Between the members’ meetings the network has work streams and hosts webinars. One of the key successes of the network has been increasing members’ confidence. Many members now push back against demands in a way not contemplated previously.

In addressing corruption there are things that can be achieved at an individual, company and network level; however, there are situations whereby the support of government bodies, NGOs, and other maritime bodies is needed. Therefore a key element of MACN’s strategy is collective actions, whereby the network engages with external stakeholders to highlight problems and to help create solutions. The network has an ongoing collective action in Nigeria, where it collaborates with the FCO, DFID, UNDP and a Nigerian body called TUGAR. In addition it currently co-ordinates collective actions in five other countries.

MACN believes that collective actions will become more important for our members as a way of delivering value to them and the local stakeholders.

MIXED BAG

The reception of MACN from within the shipping industry has been mixed. Some companies are sceptical of MACN's goals, while others have been very supportive. Some of the dismissive attitudes stem, in part, from the belief that prosecution for breaking anti-corruption laws is very remote, or that "customs of the port" - even if they are illegal and breach contractual commitments - are an acceptable cost of business. This attitude is often compounded by a belief that the demands that can be made in ports do not break the US Foreign Corrupt Practices Act because they are "facilitation payments". However, this interpretation is an oversimplification of the legislation and does not acknowledge the contractual obligation that a company may have committed to, or what other legislation may be applicable.

One of the criticisms of the maritime industry is the lack of transparency; especially when compared to other industries. This makes performing effective due diligence challenging and time-consuming. Nevertheless, most international anti-corruption legislation states that a company is responsible for the actions of its suppliers, which still applies even in a vessel timecharter chain where the head owner is four charterparties away. Ignorance or "it's too difficult" is not an effective legal defence.

However, as a result of the greater awareness of maritime corruption challenges there has been a change in attitude within the maritime supply chain. This change is primarily being driven from contractual expectations between parties and the resulting commercial implications. Compared with four years ago there is an increased expectation that all parties have adequate compliance and anti-corruption procedures and processes in place. Despite this, there are still respected companies within the maritime industry that do not have the appropriate procedures and training in place, so there is still a lot more work to be done.

Despite these challenges the compliance infrastructure available to the maritime industry is developing. For example, an organisation called TRACE, in conjunction with DA-Desk, already has in place a low cost anti-bribery certification programme for port agents, which consists of a due diligence review, analysis, and approval that results in a detailed compliance report that port agents can share with their customers. It is also seeking to widen the programme to other members of the maritime supply chain. Such a programme helps to improve the transparency and integrity of the supply chain while reducing the cost of compliance.

PROUD ACHIEVEMENT

MACN has received a very positive reception from external stakeholders, such as TRACE, UNDP and



As the mode of travel for 90% of world trade, shipping needs to clampdown on fraud

Transparency International, and is held up as an example to other industries of what an industry-led organisation can achieve. Furthermore, there is a growing belief that reducing corruption can only be achieved through an integrated approach from all stakeholders, governments, NGOs and international business.

Additionally within the development and aid communities, there is a greater understanding that making trade between countries easier and more efficient is essential to reducing poverty in the less developed countries, which is often where a lot of the maritime corruption occurs. This is one reason why the World Trade Organisation is implementing the Trade Facilitation initiative, whose goal is to reduce the bureaucracy and complexity of regulations that exists when trading with the less developed world. However, this goal cannot be achieved without addressing maritime corruption.

It will take some time for the goals of this initiative to be implemented, but what it seeks to do is to increase global trade, which would be a great plus for our struggling industry.

The shipping industry has undergone transformation before, most recently through a change in attitudes towards health, safety, environment and social responsibility. At the same time, containerisation and low cost transportation have enabled a new wave of globalisation. Even though the maritime industry cannot solve, nor is responsible for, the world's problems, as 90% of world trade is transported by ships, the maritime industry has to be part of the solution in addressing corruption. The shipping industry has the opportunity and capability to transform the world once again, port by port and country by country. **SN**

Jake is vice chairman of the Maritime Anti-Corruption Network (MACN). He has over 25 years' experience of the shipping industry and is currently head of Risk Management at Gearbulk. Prior to joining Gearbulk, Jake was the chief financial officer for Inchcape Shipping services UK. He holds a MBA from Manchester Business School, as well as being a chartered accountant and a qualified corporate treasurer.

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