**NATIONAL MANAGEMENT COLLEGE**

**NATIONAL MANAGEMENT COURSE-117**



**CASE STUDY**

**“MIS-DECLARATION IN TRANSSHIPMENT AND EN-ROUTE REPLACEMENT OF GOODS”**

by

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**(PCS)**

A paper submitted to the faculty of the National Management College, Lahore in partial fulfillment of the requirement of the National Management Course-117.

 The paper is the end product of my own efforts, research and writing and has not, in whole or in part, been submitted elsewhere for assessment and its contents are not plagiarized. The paper reflects my own views and is not necessarily endorsed by the faculty or the college.

 **Signature…………….**

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# Introduction

This case study pertains to the one of important segment of customs i.e transshipment of goods from sea ports to upcountry dry ports.

**Transshipment**

For the purpose of customs in Pakistan transshipment means the transfer of transshipment goods without payment of customs duties and taxes at sea port to carrier for carriage to another customs port or stations; especially from sea ports to inland dry ports up country. The carrier in this case is licensed carrier and called as “Bonded Carrier” as they submit guarantee for safe delivery of the transshipment goods to destination Dry Port. The dry ports are presently functioning at Lahore, Faisalabad, Multan, Sialkot, Islamabad, Peshawar, Sust, Quetta and Hyderabad.

**Misdeclaration and Enroute Replacement**

As duties and taxes on transshipment goods are to be paid at destination port, therefore in cases where there is mensrea to evade taxes, the goods are mis-declared so that High Value goods attracting high amount of duties and taxes are replaced enroute.

**Law**

Section 121 of Customs Act 1969 deals with these goods which is given as under:

Transshipment of goods without payment of duty.- (1) Subject to the provisions of section 15 and the rules, the appropriate officer may, on application by the owner of any goods imported at any customs-station and specially and distinctly manifested at the time of importation as for transshipment to some other customs-station or foreign destination, grant leave to transship the same without payment of duty, if any, chargeable on such goods with or without any security or bond for the due arrival and entry of the goods at the customs-station of destination.

**Rules**

Transshipment is governed by Customs Rules 2001 notified vide SRO.450(I)/2001. Rule 326 to 341 are related to Transshipment wherein elaborate mechanism has been laid down for transshipment of goods from sea port to dry port and vice versa.

# 2. Statement of Intent

This case study is based on busting a racket involved in evading huge amounts of duty and taxes by misdeclaration and enroute replacement of transshipment goods. The insight about cultivating information, timely successful action on information, the seizure of goods and preparation of detailed in inventory of goods, prosecution of culprits involved in the case, handling pressure from different sides are some highlights of this case study. The changes in legal and administrative frame work were also made/proposed on the basis of this experience.

# 3. Scene Setter

The Additional Collector, Khalid was posted in Collectorate of Customs Preventive Karachi in February 2015 and but as his SMC started, he joined SMC at NIM Karachi. On completion of SMC when he joined back Preventive Collectorate in July 2015, anti-smuggling operations were enhanced and in result there were good seizures of smuggling prone items like cloth, tyres and diesel etc .In one seizure 87000 litres diesel was sized in single operation besides other remarkable seizures. The Additional Collector wanted paradigm shift and good/major cases. In a meeting of ASO (Anti-Smuggling Organization), in late September 2015, he tasked the staff of ASO to focus on transshipment consignments as there were reports of misdeclaration and enroute replacement of goods. Mr. Khalid Masood SPS , a hockey vetran was incharge of Anti-smuggling Organization (ASO) of the Collectorate. The SPS promised that he and his team would work hard and give good results /cases. A team of two preventive officers namely Mr. Tariq SPO and Mr. Tayab SPO was constituted by Additional Collector to discreetly visit the markets and check wherefrom they are getting supplies of high value goods and get a credible information for action. Mr. Tariq Mehmood was good at finding linkages on the basis of documents and trail of goods whereas Mr. Tayab was good in market knowledge and Khepia phenomenon i.e business to bring goods across the border (often illegally). Since there was strict vigilance on Khepias at Karachi Airport therefore there were reports that they are using sea port and take big risk by bringing high value goods and get clearance for transshipment and then replace goods at discreet godowns at Karachi. On 16-10-2015, an information was received that a container was parked at the godown situated in SITE area. The container was meant for transshipment to Lahore and the imported goods were being switched with low value goods. The ASO team raided the godown and seized goods and container involving millions of rupees duty and taxes for further action as per law.

# 4. Background

The upcountry dry-ports were established in cities like Lahore and Faisalabad to facilitate the trade and industry for conducting their imports and exports from nearest customs stations. At present, there are dry ports running under the management of Pakistan Railways i.e Lahore Dry Port Established in 1973, Quetta Dry Port Established in 1984, Peshawar Dry Port Established in 1986 ,Multan Dry Port Established in 1988, Rawalpindi Dry Port Established in 1990. In addition to the above, there are other Dry Ports established and running under the management of private sector or NLC i.e Sialkot Dry Port Established in 1986, Faisalabad Dry Port Established in 1994, Pak-China Sost Dry Port, NLC Dry Port at Thokar Niaz Beg Lahore, NLC Dry Port at Quetta, NLC Dry Port Hyderabad, Dry port at Prem Nagar Railway station Established in 2010, Sialkot International Container Terminal [SICTL], new Multi modal Dry Port at Airport Road, Sambrial-Sialkot.

For these Dry Ports the goods in containers are transshipped from sea ports normally under shippers and customs seal on bonded carrier without payment duty and taxes. The duty and taxes are paid after examination and assessment of goods at relevant dry port and goods are cleared accordingly.

# 5. Information Gathering

 The Additional collector held regular meetings with ASO staff and the team of two SPOs. The information gathering was conducted by two senior preventive officers namely Mr. Tayyab and Mr. Tariq Mehmood. The modus operandi of information collection by them was that they used to visit the different wholesale and retail markets and in the capacity of a common businessman mingle with them and discreetly dig out the information that who was involved in illegal customs clearance and what methods were being used by these unscrupulous elements. Which high value and high duty slab goods were being mis-declared under the garb of transshipment and then pilfered/replaced in the godowns of Karachi. At that time mobile phones, tablets, LED televisions, Perfumes etc were being brought illegally in this type of consignments. Moreover the data of transshipment was also being analyzed wherein the declared description was vague like miscellaneous goods or Washing machines and electronic goods. The other suspicion would be abnormally low value of these consignments. These official as mentioned above would track the consignment/container and keep the senior officers informed about the progress in respect their work being done. The Additional Collector closely monitored the information gathering efforts of the team.

# 6. Modus Operandi

The Additional Collector conducted to meetings with his team to discuss the phenomenon. The modus operandi of involved in this fraud, revealed that they had established godowns in Karachi and companies in Dubai and China. They take orders of carry of contraband and merchandise goods of high value/high duty and settle handsome amount for carry/bringing goods on much low rates as compared to duty/taxes. They take their carry amount in advance as the goods belong to original investors. This was called carry & done basis. They gave the investors the guarantee equal to value of goods and in case of seizure of goods all loss was to be borne by carrier/smuggler. After getting the order carry firm ships the goods through their firms based in Dubai/China in the name of their registered firms in Lahore, Rawalpindi or Peshawar. The goods are **declared vaguely as Electronic Goods& stationery** as there is no duty on stationery items. After arrival of goods at Karachi, the front man/Hench man of this cartel gets allow of transshipment of goods by producing fake and fabricated documents before the Customs authorities. During transshipment of goods they with connivance of bonded carrier or the driver of the bonded carrier vehicle, take the container to one of their godowns either in Site Area or in FB area near to super highway M9 Karachi. In the godown /warehouse the contraband or High Value goods are removed and low value goods as declared in TP/GD are stuffed in the container and sent to destination Dry Port. On reaching there the front man gets stuffed low value goods goods on meagre amount of duty/taxes varying from 3 to 5 lacs where as on original imported goods the duty would have been of volume of millions of rupees besides the goods might not have been importable.

# 7. First Major Seizure case of Transshipment Goods i.e M/S. Pakistan Enterprises Lahore

## 7.1 Information

Reports alerts were received that some unscrupulous members, of trader’s community were engaged in importation of commercial goods of high value and duty slab under the grab of Transshipment for upcountry. The mechanics designed was that those containers were gated out from the port area and instead of taking container to designated Dry Ports of upcountry for customs clearance, these containers were brought to various godowns situated within Municipal limits of Karachi. At these godowns, the higher duty slab articles used to be offloaded and replaced from containers, and same container in turn were stuffed with the commodities having low value and lower duty slab or levies.

In order to materialize the information, the field formation Anti- Smuggling Organization (ASO) of Collectorate entrusted with exclusive Enforcement work established an intelligence network of in filed informers as per orders of the Additional Collector Preventive Headquarters Karachi. That during the intervening night of October 16/17, 2015 an actionable information was received that a container numbered EITU-1 135555 ladon on Trailer bearing registration No. Z-2988 was parked at the godown situated opposite OBS, Pakistan (PVT) LTD. Factory SITE, and adjacent to plot No. B-13 (later on identified as Plot No. B-13-B). The information further disclosed that the said container was said to be transshipped to customs port, Lahore; whereas, the de stuffing and stowing would be carried out as per modus operandi mentioned above at the godown.

## 7.2 Raid on Godown

Receiving information, the Additional Collector constituted team led by ACP (Headquarters) to pursue the said information as well and raid the said godown. The raiding party constituted so along with Musheers namely, SPO Mr. Tariq Mahmood and PO Mr. Muhammad Ejaz, under the command of ACP as per law and procedure as envisaged / desired by Section 163 of the Customs Act. 1969 reached the spot. The team entered the said godown and found that the trailer bearing Registration No. Z-2988 laden with container number EITU-1135555 was parked in and the process of Replacement/pilferage was in progress under the supervision of Muhammad Imran S/O Muhammad Aslam along with the daily wagers. At this juncture container was cursorily searched in the presence or above named Musheers and Musheernama to this effect was prepared on the spot; of the goods lying in the godown and in the container. The driver Munawar Hussain S/O Noor Hussain produced import documents including GD (TP), Form A, BL, one PCCSS seal and two (2) shipper’s seals. All the three seals were in broken condition. In the GD filed goods were declared as Washing Machines and Electronics goods. Declared value of goods was just Rs.750,00/=.

## 7.3 Examination, Inventory of Recovered Goods

The process of the detailed examination and preparation of inventory or huge quantity or foreign origin goods then recovered was initiated which took a considerable long time and continued till 08:00 PM on October 19, 2015. Brief description, quantity and value were as under:

1. Empty Container No EITU-1135 value Rs 1,00,000/-
2. Nissan Truck Trailer No. Z-2988 Chassis no. SP210PSN-00441, Model 1996 value Rs. 7,000.000/-
3. Assorted Tablets Notepad etc., 1695 pieces (as per inventory) Rs, 33,900,000.
4. Mobile pone of assorted brand 27217 pieces (as per inventory). Rs 204,127,500.
5. LED TVs of assorted brand and size, 214 Nos (as per inventory) Rs. 12,405,000
6. DVD players Assorted, 122 Nos. (as per inventory)Rs. 488,000.
7. Assorted dry irons 182 pieces (as per inventory) Rs. 582,400.
8. Washing machines of assorted Model Nos. (as per inventory) Rs. 300,000.
9. Refrigerator (Boman GSP -847) Italy = 15 Nos. (as per inventory) Rs. 300.0000.
10. Coby pencil assorted = 10060 kg.(as per inventory) Rs/ 1,569,369.
11. Chuck value 02 ctns = 18 pieces (as per inventory) Rs. 2000
12. Auto parts =1056kg (as per inventory) Rs. 658,944.
13. Packing machine = 01 No. (as per inventory) Rs. 10,000.
14. Feather Blades= 1960000 pieces. (As per inventory). Rs 196000
15. Assorted perfumes = 2007 pieces (as per inventory). Rs 16,056.000.
16. Assorted contact lenses (eye) = 46979 pieces (as per inventory). Rs. 23,489,500.
17. Samsung Mobile phone Batteries = 750 pieces (as per inventory) Rs. 375000.
18. Damage (old & used) assorted mobile phones = 275 pieces (as per inventory) Rs. 137500.
19. Old & used Photocopiers = 16 Nos. (as per inventory) Rs. 80,000.
20. Pimmer = 45 pieces (as per inventory) Rs. 135,000.
21. Vinegar Apple Cider=960 pieces (454 kg) (as per inventory) Rs. 384000.
22. Colgate Mouth Wash (Brazil) = 240 Pieces (60kg) (as per inventory) RS. 72000.
23. Cable TCG 30 rolls (1380 kg) (as per inventory) Rs. 287,040.
24. LAN Cable Cat = 714 kg (as per inventory) Rs. 148,512.
25. Cotton Bud Stick = 172000 pieces (as per inventory) Rs. 17,2000.
26. Tooth Pick =234 Pkts. (as per inventory) Rs. 4,680
27. Talc Powder = 96 pieces (as per inventory) Rs. 9600
28. Body Hand lotion = 33 pieces (6.6 kg) (as per inventory) Rs. 8,250.
29. Silk Hand wash = 15 Bottles (7500 ml.)(as per inventory) Rs. 3,750
30. Suitcase/Hand carry= 07 sets (21 pieces) (as per inventory) Rs. 35,000
31. CD covers Hard Empty = 350 pieces (s per inventory) Rs. 17500
32. Compressors = 09 pieces (as per inventory) Rs. 27,000
33. Two Shippers Seals both having Same no 426265 & PCCSS seal no 0200005 (all in broken condition)
34. Import and Registration documents.

**Total Value of seized Goods as per above details was Rs 304,621,736/-**

## 7.4 Seizure of Goods, FIR and Arrests

The above mentioned recovered goods were accordingly seized along with impounded Nissan Truck, broken seals and the import documents viz; Goods Declaration (TP), Form A, Bill of Lading, Transport Note, Invoice and Registration documents of the impounded Truck in terms of Section 168 of the Customs Act, 1969 after full filing all the legal formalities as per law. The scrutiny of the seized Registration documents of the impounded vehicle revealed that one Muzzamil Shah S/O Naimat Shah, resident of Moh Sheikhmil Khel Talib Khel Shinwari Landi Kotal Tehsil Landi Kotal. District Khyber Agency, FATA Pakistan. **FIR No. 164/2015** was lodged and Muhammad Imran S/O Muhammad Aslam was arrested along with two truck drivers namely Munawar Hussain S/O Noor Hussain and Shahid Iqbal S/O Iqbal Hussain.

Preliminary investigations conducted revealed that the container was imported by **M/S. Pakistan Enterprises 20 Hira Mansion, Nabha Road, Lahore** having NTN No. 1142851 and STRN 0309980509073. The documents for clearance and the TP (KAPW-TP-66657) were filed by M. Ehsan Ud Din & Company (PVT) LTD CHAI. No. 2153 with MCC-Appraisement (West), Karachi.

The investigations revealed that main players in the case were Abdul Moiez Majeed Baway S/o Abdul Majeed Bawany and Muhammad Sohail S/O Muhammad Suleman as they hired the bonded carrier, got customs clearance and escorted the vehicle to godown.

The third arrested accused person namely Muhammad Imran S/O Muhammad Aslam when put to interrogation disclosed that he came in contact with absconding accused M/S. Abdul Moiz Bawany and Muhammad Sohail at the venue of crime. He was then employed by these two persons on the basis of his expertise as packaging man/person. He disclosed that earlier to this seizure **four to five time his services were hired for packing** at very this godown. He further stated that at about 09:00 Pm on 16.10.2015. Abdul Moiz Bawany asked him to reach there accordingly. He reached at the designate place and found that absconding accused persons namely Abdul Moiz Bawany and Muhammad Sohail were present along with the labourers. He also saw there some washing machines, refrigerators and pencil erasers already lying-in huge quantity inside the godown. At this point he was asked to pack the pencil erasers. While he was in process of packing a container laden on truck driven by Munawar Hussain entered in the godown. Meanwhile as the process of switching of goods was in progress both the drivers were directed by the absconding accused to leave the godown. At about early morning the Custom party arrived. They took the possession of goods and truck laden with container and they were arrested from crime scene. The bonded Carrier e M/S. M. Ehsan-ud-Din & Company (Pvt), Limited (Agent License No. KCUS-2153) who were acting as Bonded Carrier as well, a license of the Customs. On 14-10-2015, they filed Goods Declaration vide G.D No. KAPW-TP-66657 dated 14-10-2015.

As the Bill of lading was negotiated by M/S. GreenPak Shipping (Pvt) Ltd, consequently the shipping agency was probed about the collection of Delivery Order and chain of event of shipping from embarkation to offloading at KICT. The copies of the record supplied by the Shipping gency when scrutinized surfaced that Delivery Order was collected by one Shah Zaib on October 14, 2015 having Cell no. 0336-3506493. However, an important fact which surfaced was that in the instant matter Bank Guarantee was processed by one Muhammad Amir S/O Muhammad Afzal having CNIC No. 42201-0169571-1 maintaining account with UBL Bonder Road branch, Karachi vide account number 209729245. On receipt of this vital information said Muhammad Amir was summoned to join the investigation on 27-10-2015.He instantly divulged that he was a service provider in the field of computer hardware and shipping guarantee having office at R. K. Square. He stated that one Muhammad Salman S/O Muhammad Akbar an employee of M/S. Al Tajir Bonded Carrier provided this job. Upon knowing this fact, Muhammad Salman was summoned through his employer. On 28-10-2015 Muhammad Salman joined the investigation, during the course of investigation & interrogation he disclosed M. Nasir has given him the task. The name of M. Nasir has been repeatedly surfaced in this case.

Anees Ahmed S/o Razzaque Ali Manager of M/s. M. Ehsan-Ud-Din & Company the Bonded Carrier on 30-10-2015 after obtaining interim pre-arrest bail joined the investigation. During the course of investigation, he disclosed that one M. Nasir having cell No. 0310-2634754 has contacted them some four month backs and started providing business to them. During this tenure he provided 10 jobs relating to TP consignments including this one. During the questioning he disclosed that he came in contact with one M. Nasir of A. S. Enterprises having cell no. 0310-2634754 some four months back. This M. Nasir was introduced to him by Sher Ghani an ex-employee of their office. In order to locate M. Nasir calls were made on given number but found no response. The said number was forwarded to the Cellular Company to provide antecedent. Efforts were made to arrest this person but he could not be arrested.

It was stated that the address of the crime scene i.e. the said godown as detailed in FIR was evasive in content. In order to ascertain the correct position, the IO, Seizing Officer and witness of recovery SPO Mr. Tariq Mehmood went to the spot and also visited the office of Secretary SITE to get determine the ownership of the property and the address as per provincial revenue record. The record reveals that the godown where the goods were pilfered belonged to one Muhammad Aslam S/o Younas Hussain resident of House No. B-74, Block-6, Gulshan-E-Iqbal, Karachi having CNIC No. 42201-0667081-1. Mr. Muhammad Aslam alias Aslam Ainee was a khepia previously as per record. Once his link was established it transpired that he was mastermind and arch person of this mafia of replacement of TP goods. **The investigations further confirmed that Mr. Muhammad Aslam S/O Younas Hussain was the master mind who was pilfering the high duty goods in the grab of TP regime.** During investigation, it was also revealed that the said godown was being used for pilfering/replacement of TP goods time and again. **The IO gathered information from telephone locations and contacts of Aslam Ainee and he was arrested.**

It would auger well to bring on record that a huge number of seized mobile belong to RIVO brand (15,030 in numbers). The investigations in this regard were made which surfaced that M/S Advance Telecom was the sole importer of RIVO mobile and also was the official partner of RIVO mobile. Keeping in view the scribed position in order to obtain their view point under section 166 of the Act, 1969. They replied that they had no connection with seized RIVO cell phones. However, the recovery of printed matter (i.e. warranty card of Advance Telecom) recovered from the boxes of seized cell phone led to conclusion of the involvement of M/S Advance Telecom which was investigated in depth. It transpired that they were also in league with unscrupulous elements. Rivo Mobile senior management including Chairman Haji Abdul Majeed, CEO Rizwan Majeed, Director Asif Majeed were made of part of investigations as they obtained pre arrest bail.

The investigation findings revealed that all persons whose names and roles had been given in FIR and subsequent challan had committed offence of smuggling as defined in Section 2 (S) of the Customs Act, 1969 in addition to deliberate act of mis-declaration as envisaged under Section 32,32(A), TP 121 and 178 ibid; punitive action for which was solicited under clauses (8), (89), 14. 14(A) and 63 of Section 156(1) ibid read with Section 3(1) of the Imports & Exports (Control) Act, 1950, further read with prevention of smuggling Act, 1977.

## 7.5 Analysis

The examination of case record gives following conclusions:

* The godowns were purposely hired as same was covered from all four corners and the walls were high and there was ample covered area for safe placement of high value goods.
* The low value goods like washing machines were already dumped there to replace with high value goods.
* The godown was used for replacement of goods more than four/five times.
* The expert labour was hired for immediate shifting of high value of goods.
* The bonded career was also involved as he did not discharge his duty as given in the Rules.
* High selling cell phone brand like REVO management was also involved.
* Mr.Aslam Ainee and Mr. Abdul Moiz Bawani were the main characters who were carrying out fraud of replacement of transshipment of goods for long.
* The godown was also sealed being the the property of Aslam Ainee under Prevention of Smuggling Act,1977.
* High rate of duty and taxes is one of the reason for misdeclaration of description, quantity and value of these goods
* Weak monitoring mechanism is also cause of frauds in transshipment sector.

# 8. Second Major Case of Transshipment Mis-declaration- MS Essam Enterprises

## 8.1 Information

After successful seizure the team effort of entire Preventive Collectorate was appreciated by FBR. The Additional Collector held another meeting in his office and emphasized that this winning spirit should be continued and there may such other cases which should be busted. In furtherance to the investigation conducted in previous FIR ASO – 164/2015 dated 19-10-2015 lodged in the court of law respectively against the unscrupulous elements, another information was received through sources disclosing that the same mafia who are involved in the previous case would attempt to mis-declare the TP goods.

During the course of investigation of earlier case, information was received to the effect that the mafia are making all out efforts to re-export their cargo containers on the basis of forged, fake and fabricated documents which had arrived at port and was containing huge quantity of goods which were to be misdeclared. As such one such consignment lying at Port was identified on the basis of investigations and emails of accused persons as mentioned in previous case, Since the seizure of container at SITE godown, culprits had sensed the danger and they had not filed GD for Transshipment filed request for re-export of goods on frivolous grounds of frustrated cargo. This was done only to avoid risk of being apprehended by customs.

Accordingly, one such container was located which was in the final stage of re-export. The said container arrived at Karachi port one day after a similar nefarious attempt was thwarted by the ASO staff of the collectorate by seizing merchandise/contraband goods worth Rs. 304.62 million in FIR No ASO -164/2015-HQ 19-10-2015 from a godown in SITE area Karachi. Sensing the risk involved in clearing of this container an application to re-export the same was filed with the MCC Appraisement (East) and the process of re-export was also in the final stage at the MCC Export Karachi.

## 8.2 Detention and Seizer of Container

Consequently, all the collectorates were instructed to inform about the import container which are lying at the port uncleared and refer any such container pending for re-export. As a consequence, the container no TCNU-5918376 imported in the name of **MS Essam Enterprises,** under the process of re-export was detained by the collectorate for examination.

Accordingly, container no TCNU-5978376 arrived per B/L no SRSKHI12837 dated 07-05-2015, IGM no KAPE -167-07-05-2015, Index no 253 arrived from Jebel Ali was escorted to NMB Wharf and detailed examination of the container was conducted in presence of musheers namely SPO Mr. Tariq Mahmood and SPO Mr. Muhammad Tayyab Khan as well as preventative of the clearing agent. The examination thus carried out in presence of the witnesses resulted in the recovery of huge quantity of mobile phones, perfumes, refrigerant gas, cosmetics and auto parts medicines, LED TVs, Bubble gums and motor oil etc. as explicitly mentioned in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr.** | **Description** | **Quantity** | **Value (Rs)** |
|  | Assorted Perfume | 33054 Pcs | **165,270,000** |
|  | Assorted Mobiles | 6014 Pcs | **84,850,000** |
|  | Refrigerant Gas. 330 Cyl | 4260.3 Kg | **5,610,000** |
|  | Assorted Auto Parts | 33 ctn | **2,303,230** |
|  | Mobile Charger | 11000 Pcs | **2,200,000** |
|  | Body Spray | 16032 Pcs | **2,040,800** |
|  | Cuticura Bar Soap | 46 Ctn | **1,656,000** |
|  | Bubble Gum | 95 Ctn | **1,368,000** |
|  | LED TVs 40” | 20 sets | **1,100,000** |
|  | Mobile Batteries  | 2000 Pcs | **1,000,000** |
|  | Cig Ligher | 48 Ctn | **960,000** |
|  | Cuticura Sunna Soaps | 46 Ctn | **745,000** |
|  | P & G Olay Cream | 56 Ctn | **698,000** |
|  | Baidi Ligher | 30 Ctn | **600,000** |
|  | Motor Oil 35 cans of 4 Ltr each | 840 Ltrs | **525,000** |
|  | P&G Olay Faco Cream | 19 Ctn | **237,120** |
|  | Foundation Cream | 2 Ctn | **72,600** |
|  | Panadol Tablets | 07 Ctn | **60,000** |
|  | Pear Soap | 10 Ctn | **48,000** |
|  | WW Grope Water | 20 Ctn | **48,000** |
|  | Coolent Fluid 9 Cans 54 bottles | 119.8 Ltr | **27,000** |
|  | Hair Repair Cream | 01 Ctn | **20,000** |
|  | Loreal Sunns Cream | 01 Ctn  | **18,200** |
|  | (1x40) Container # TCNU-591837-6 | 01 No | **1,000,000** |
|  | **TOTAL** |  | **272,456,950** |

The packages were bearing local names Saleem, Sulman, samad, Khalid, Faheem, Talah, Asim, Rajesh and Muneeb etc. separate inventory showing make, model, quantity and origin of goods was also prepared under the signatures of musheers. The importer as per bill of lading namely M/s Essam Enterprises, having address, office No 8, 2nd floor, China Centre, Murree Road Rawalpindi was contacted whose proprietor Mr. Wahaj Aslam S/o Muhammad Aslam (CNIC #35202-8098176-3) categorically stated that he had not imported the said container and had nothing to do with the said import. All documents pertaining to import and re-export of the consignment were as such found forged, fake and fabricated.

## 8.3 Investigation and FIR

Preliminary investigation in the matter revealed that accused person Abdul Moiz Bhawani who was nominated in the earlier case as prime accused person was also involved as prime accused among others in this case of smuggling and misdeclaration. The preliminary, investigation further revealed that accused person namely Murtaza Jan Brohi S/o Jan Muhammad Brohi, Wahid khan S/o A. Rehman khan, Faizan S/o Shaukat Ali, Muhammad Imran S/o Sulaiman, Nasir Jamal S/o Malik Ashiq Hussain and Abdul Moiz Bawany S/o Abdul Majeed, among others, were involved in the smuggling of impugned consignment, the above named accused persons with the active connivance of each other prepared forge, fake and fabricated documents for import clearance & re-export (U/s 138) with mala-fide intention, in this scam of smuggling.

 They were guilty of violation of section 2(s),16,32,32A, 121,178 and 157(1) of customs Act 1969, punishable under clauses 8,9,89,14,14(a) & 63 of section 156(1) ibid, read with, section 3(1) of the imports and exports Control act1950, section 3,6,11,33 & 34 of Sales Tax Act 1990 and sub section (1) of section 1478 of the Income Tax Ordinance 2001. Therefore, the goods as given above, were seized along with the container for violation of the aforesaid provisions of law. Accused person namely Murtaza Jan Brohi S/o Jan Muhammad Brohi and Wahid Khan S/o A. Rehman Khan, were arrested and notices under section 171 of the customs act, 1969 had been served/ issued accordingly. **FIR No.181/2015** was lodged accordingly.

Further details were that MCC Preventive lodged the FIR in the case where a consignment was imported for transshipment and suspected pilferage during transit, which was known to be a regular practice of certain elements to smuggle foreign goods. The said consignment was being re-exported through misdeclaring the contents of the consignments and through fake and forged documents.

Since the re-export consignments are subject to examination, the authorities examined the consignment and found the goods to be 6,000 expensive mobile phones, LEDs, refrigerated gas cylinders, perfumes and other goods.   However, as per the import general manifest, the consignment was reported as miscellaneous goods under single PCT and with extremely low value was declared. According to details, M/s Essam International-Rawalpindi imported a consignment of miscellaneous goods, but no Goods Declaration or Transshipment Permit (TP) were filed for long and container was detained through a tipoff in investigation of a previous case by MCC Preventive Karachi. The importer was approached that their consignment was lying on the port to which representative of M/s Essam International appeared before the authorities claiming that **their ID was misused** and they did not import the said consignment.

Later, a re-export GD was filed by M/s Nisar International Clearing Agent (Lic No.1687) for the subject consignment. An Additional Collector under the authority granted by the Customs Act, 1969 had approved the re-export of said consignment for being frustrated cargo. Collector Exports Saifuddin Junejo sent it back to MCC Appraisement East requesting approval by the Collector as according to Customs Rules, Collector’s approval was required. Collector Appraisement East Abdul Majid Yousafani upon receipt of the request by Collector Export ‘marked’ the said document for due procedure, but it was erroneously forwarded to Collector Export as if approved by the Collector. Majid Yousafani had also initiated a departmental investigation to ascertain why and how the said document was forwarded to MCC Exports as approved.

This seizure was reported in media as well in a manner that transshipment goods usually being high-value goods are replaced with very low value goods. MCC Preventive in particular Additional Collector Khalid Hussain Jamali and ASO led by Assistant Collector Syed Raza Naqvi had efficiently eliminated the pilferage of TP cargo. Under the supervision of Chief Collector Enforcement South Mr. Zahid Khokhar, a rigorous campaign was made against replacement of TP cargo. Moreover, it has been made mandatory that the bill of lading, invoice and packing list of the consignment would have to be uploaded in the system at the time GD-TP filing.

## 8.4 Analysis

The examination of case record revealed following conclusions:

* M/s Essam Enterprises’ proprietor Mr. Wahaj Aslam S/o Muhammad Aslam categorically stated that he has not imported the said container and has nothing to do with the said import. His profile showed him a regular importer of cloth through transshipment.
* All documents pertaining to import and re-export of the consignment were as such found forged, fake and fabricated.
* Mr. Abdul Moiz Bawani was the main character in this case.
* After seizure no one claimed goods to avoid arrests and further legal proceedings despite huge value of goods i.e Rs. 272 millions.
* The boy arrested in the case M. Murtaza Brohi was innocent as his maternal uncle was involved with Abdul Moiz Bawani and he only worked in uncle’s office. As such in subsequent challan, his name was deleted from FIR in light of investigation officer findings and with the approval of Customs Judge.
* Customs should thoroughly examine the requests for re-export as unscrouplous elements bring in goods and file forged documents and once they feel danger, they go for re-export.
* Moreover, it should be mandatory that the bill of lading, invoice and packing list of the consignment would have to be uploaded in the system at the time GD-TP filing.

# 9. Third Major Seizure of Q-Mobiles Imported by Zawah Impex

## 9.1 Seizure of Cell Phones case no.185/2015

 The Additional Collector and team keep pursing this racket. In furtherance to investigations in the previous FIR Nos. ASO-164/2015 dated 19.10.2015 and ASO-181/2015 dated 07.12.2015, another tip-off was received that same cartel have imported a container full of mobile phones for clearance under transshipment(TP) but due to recent seizures by Preventive Collectorate, they instead of clearing the container, went for another plan and tried to obtain re-export permission from the Appraisement Collectorae under the guise of frustrated cargo but their request was not allowed by the collectorate. The container arrived at Karachi Port on 26.10.2015 and manifested vide IGM No. 274 on 07.10.2015. The request of re-export under section 138 of Customs Act,1969 was filed by Shipping agent, importer and Custom Agent M/s. S.A International (CHAL1532). The reason for re-export was given that due to mistake container was shipped to Karachi Port instead of Dubai Port and the Shipper had issue of understanding of English Language. The container was shipped from Hong Kong in the name of M/s. Zawah Impex. The Track record showed that M/s. Zawah Impex was engaged in TP of consignment in earlier Shipments. Moreover during the raid in the office of M/s. Pakistan Enterprises, the files of M/s. Zawah Impex were found there which made activities this company suspicious earlier as well. The scrutiny of documents revealed that goods were declared as, “ Electronic goods and Stationery” and the value mentioned in the bill of lading was less than rupees one million. This further strengthened the belief that this container also pertains to same cartel which were involved in earlier TP replacement cases against whom FIRs have been lodged recently.

The container No. TEMU-6929800 was located by the team comprising of SPO Tariq Mehmood and SPO Muhammad Tayab at MTO yard, west wharf for scrutiny of documents and examination. Thorough examination of container was conducted in presence of musheers and representative of M/s. S.A International which resulted in huge quantity of cell phones Q Mobile brand. The destination of container was given as Lahore as TP was to made to Lahore. The huge quantity of cell phones i.e 71400 phones of different models of Q Mobile brands were found after proper inventory of the goods. The value of good recovered from the container was **Rs.107.1 million.**

## 9.2 FIR and Investigations

Although the goods were manifested in the name of M/s Zawah Impex & Co House No.15, Block 15 Sodhiwal Lahore. But all the subsequent ownership was claimed by Mr.Rahim Sultan Mirani s/o Sultan Ali who hired services of M/s. S.A International and handed over them letter of shipper M/s. ACR International Hong Kong , request letters of M/s Zawah Impex & Co, bill of lading, invoices and packing lists with direction to get delivery order and re-export permission from Customs. As such Mr. Rahim Mirani was booked in the case and arrested.

When the goods were seized Mr. Rahim Mirani had informed that these goods were actually pertained to M/s. Digicom Trading (PVT) Ltd. Karachi owners of Q Mobile brand. An authorization and agreement between M/s. Digicom and M/s. Zawah Impex was submitted duly signed by Mr. Zeeshan Yusaf, marketing Director of Q Mobiles. It is pertinent to mention that there had never been a business relation with M/s Zawah Impex in the past by M/s Digicom. Morever for this consignment it was claimed that it is frustrated cargo. As per practice M/s. Digicom exclusively imported Q Mobiles only by themselves and PTA authority was also in their name. Once the goods which were brought in the name of M/s. Zawah Impex were seized which were otherwise misdeclared as low value ectronic goods and stationery, the Q Mobile owners came forward just to cover their fraudulent transaction. As such Mr. Zeeshan Yusuf was also booked in the FIR but he got pre arrest bail. In the investigations it transpired that it was modus operandi of Mr. Zeeshan Yusuf Director Digicom to import half of the mobile phones from legal channel and half through misdeclaration to evade duties and taxes to the tune of billions of rupees.

##  9.3 Analysis

* The staff of ASO MCC Preventive in pursuant investigation carried out from the bonded carrier noticed that M/s Zawah Impex was also involved in misdeclaration of TP consignment.
* A container of M/s. Zawah Impex was lying at Sea port and no GD for TP was filed for more than two months
* The Container was detained and examination was conducted which resulted in recovery of 71000 Q Mobile cell phones of basic range
* The declared items were Electronic goods and Stationery
* One Mr. Rahim Mirani claimed ownership but he had no relationship whatsoever with M/s. Zawah Impex
* M/s Zawah Impex was conducting imports of fabrics earlier and filing TP for Lahore Dry Port.
* Mr. Raheem Mirani was arrested as he owned and fraudulently wanted to re-export consignment.
* Q-Mobile through its Director Zeeshan Yusuf jumped in the case and claimed M/s. Zawah Impex and they had an agreement and consignment was as such pertained to them.
* The above said agreement was not legal and not covered under PTA requirements
* They had entered in agreement with M/s. Zawah Impex after seizure of consignments
* M/s. Zawah Impex never declared in their BL or inventory or invoice available with Shipping company that consignment contained Mobile Phones
* Zeeshan Yusuf name was included in FIR but he absconded and later on getting pre arrest bail appeared before investigation team
* The declared CIF value of consignment was less than one million but the actual value was more than Rs.107.1million and taxes involved were Rs. 54.5 million

## 9.4 FIR on Influential

As M/s Digicom owner of q-Mobile was an influential company, therefore it was difficult at some stage to file FIR against them. The bosses were unwilling as recently the Directors of Q-Mobile had donated huge amount for restoration of a road project outside Custom House Karachi. Besides Mian Pervaiz Akhter father of Mr. Zeeshan Akhter owner of M/s Digicom remained an influential persons in the corridors of Customs. A so called man of integrity in Customs and Chief Collector then openly favoured them despite clear cut fraud by them. The Additional Collector told the bosses that if FIR against influential is not lodged, then no FIRs be lodged against other offenders who are not so influential. As such FIR was lodged against Zeeshan Yusuf the marketing Director whose role surfaced in fraudulent agreement with Zawh Impex. This proved to be tip off to the frauds, misdeclaration and smuggling by owners of Q Mobile brand and later many seizures were made by ASO Karachi and Customs Intelligence Karachi.

# 10. Fourth Big Seizure i.e Seizure of Acetic Anhydride

In search for other Transshipment consignments pending at port, one unclaimed container was identified carrying chemicals and coming from an odd destination. **The Additional Collector, this time constituted a team of two other senior preventive officers SPOs namely Mr. Shamim and Mr. Salahuddin of Port Control Unit.** Accordingly on 9 January 2016 , the Port Control Unit of Pakistan Customs in Karachi Port, seized 22 metric tons of Acetic Anhydrite. Apart from its legitimate industrial use in the chemical and pharmaceutical industry, Acetic Anhydrite is also used both as **a drug precursor for heroin production and as a precursor chemical to manufacture Improvised Explosive Devices / IEDs.** Officers of the Port Control Unit of Pakistan Customs applied the risk profiling techniques which have been trained in the framework of the UNODC-WCO "Container Control Programme" and the WCO "Programme Global Shield" which led to the successful detection. The chemical analysis/test had also been conducted and it was established beyond any doubt that consignment seized was Acetic Anhydride which could be used for terrorism (making explosives) or terror funding (selling of heroin by extremist elements).

The chemicals arrived in Pakistan in a 20-foot container from Dar Es Salaam / Tanzania, declared as "Acetic Acid glacial". Tanzania was not known to be a traditional producer of such products. The seized 22 tons of Acetic Anhydride which could be used in explosives or making heroin powder. The Value of seized Acetic Anhydride was Rs.870 million. The seizure was biggest ever in the world as the last quantity seized was about 15 tons and that too by a Pakistani agency Anti Narcotics Force. The Bill of Landing (BL) was in the name of M/s. Chemicals Enterprises, Sialkot but none appeared to claim the consignment. The team visited the given address at Sialkot which was entirely fake. The team could not trace out the beneficial owner of the consignment.

The Secretary General of the World Customs Organization, Kunio Mikuriya, congratulated Pakistan Customs for this outstanding focusing a clear message on how Customs contributed to protect society.

# 11. Media Coverage

For awareness of general public as well Trade & Industry press conferences were arranged after each major seizure and the media was briefed so that all stake holders should remain informed and a deterrence be created against the potential fraudulent elements.

# 12. Conclusion

It can be safely concluded that backbone of TP mafia was broken as huge quantity of goods were seized and colossal loss of millions of rupees dented them for a long time. As they were doing business on done basis as explained above as such their end beneficiaries also suffered a loss to a great extent. Many of the characters were arrested and many were on pre or post arrest bails. This created a strong deterrence for such people who were involved in the scam. The media also highlighted these seizures and arrests as such awareness against mafia was created as well.

# 13. Lessons Learnt

The following lessons were learnt from this episode:

* The information network needs to be strong.
* A good team is necessary for success of a task.
* The secrecy of information is necessary for success.
* Timing is important for successful action
* The focused investigations lead to further characters and further cases of similar nature.
* The influential persons always use their contacts to go scot free.
* That the habitual criminals were involved in scam as Aslam Ainee and Rahim Mirani were hardened criminals notorious for their frauds and Kheps.
* But some notable white collar persons were also part of them like owners of Q-Mobile and Revo Mobile brands.
* There is appreciation for good work not only in the country but globally as well.
* There comes pressure from different quarters for influential.
* High rate of duty/taxes is main reason of Misdeclaration and Smuggling
* The weak monitoring leads to frauds like it was in case of Transshipment.

# 14. Anecdote at Karachi Airport

The Additional Collector was not promoted to next rank i.e BS 20 in the CSB held in December, 2016 although nothing was against him as per minutes of CSB meeting but he was ignored by Departmental Representative and CSB allocated only 6.5 marks instead of 7 marks necessary for promotion. In the same CSB even to some candidates 14 marks were also given to bring them to promotion threshold. In end March 2017, when Additional Collector was returning from an official short course held at Bangkok Thailand, a young man met him at Karachi Airport. The young man asked Additional Collector whether he knew the young man. The Additional Collector informed him that he did not Know him. On that he introduced him as Mr. Zeeshan Yusuf of Q Mobiles and further stated that what benefit the Additional Collector got on making seizures of Q Mobiles as he was not promoted to the next rank as well as he was shunted to an unimportant position. On that Additional Collector said that he was doing his job and never knew this person earlier and even did not recognize him now. The promotion and posting are matter of service. The Additional Collector realized that the then DR was personal friend of Mian Pervaiz Akhter of Q Mobiles. Eventually in next CSB in 2018 January Additional Collector was promoted to rank of Collector and remained as Collector Customs at Hyderabad and Quetta.

# 15. Way Forward

* Transshipment containers needed to be fixed with affixed with tracker so that their movement on designate route was ensured. Besides if door of container was opened the tracker would generate alert and the nearest collectorate team can reach there for inspection of the container.
* The Transshipment GD should be ensured that all the details of goods and their value should be provided at the time of filing of TP GD at Sea Port.
* Moreover, it should be mandatory that the bill of lading, invoice and packing list of the consignment would have to be uploaded in the system at the time GD-TP filing.
* Customs automated system gives a dropdown destination Dry Port but it should be like that destination Dry Port be either nearest of the address of Importer or if it was different it should be declared first. In case of change of destination, permission be allowed by Additional Collector concerned.
* Sealing and de- sealing mechanism of Transshipment containers be strengthened.