Supply chain security: a trade facilitation perspective
Mission Statement

Open trade with transparent rules
What is trade facilitation?

“the simplification, standardization and harmonization of procedures and associated information flows required to move goods from seller to buyer and to make payment”. UN/CEFACT

<table>
<thead>
<tr>
<th>BUY</th>
<th>SHIP</th>
<th>PAY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Prepare</td>
<td>Transport (Air-, Rail-, Road- and Sea related)</td>
<td>Payment</td>
</tr>
<tr>
<td>Importer</td>
<td>Inspection Company (PSI)</td>
<td>Customs (Import, Export- and Transit Country)</td>
</tr>
<tr>
<td>Exporter</td>
<td></td>
<td>Health Authorities</td>
</tr>
<tr>
<td>Import Country Authorities</td>
<td></td>
<td>Port Management</td>
</tr>
<tr>
<td>Export Country Authorities</td>
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<td>Agriculture Authorities</td>
</tr>
<tr>
<td>Insurance Company</td>
<td></td>
<td>Customs Brokers</td>
</tr>
<tr>
<td>Chamber of Commerce</td>
<td></td>
<td>Other Intermediaries</td>
</tr>
<tr>
<td>Export/Import Agent</td>
<td></td>
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<tr>
<td>Licensing Agency</td>
<td></td>
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<tr>
<td>Credit Checking Company</td>
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<tr>
<td>Other Intermediaries</td>
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</tr>
</tbody>
</table>

Source: UN/CEFACT International Supply Chain Reference Model
Trade Facilitation - why bother?

- Reduction of signatures and documents significantly reduces the numbers of days at the border and leads to an increase in trade (OECD)
- Trade transactions costs due to unnecessary procedures: between 1 and 15% of import value
- Problems (Non-tariff barriers):
  - Excessive demands for data and documents
  - Uncoordinated inspections by border agencies
  - Different rules in different countries
  - Difficult to know what rules apply
Trade facilitation principles

- Reduce, simplify and standardise trade documents and data
- Forums for dialogue between the public and the private sector
- Single Window
- Trade enquiry points
- Authorised trader schemes and use of risk management
- One-stop border posts
- Transport corridors
Security and Trade facilitation

• Economic studies show that:
• Terrorism hits trade and investment flows hard
• Security is a collective good – co-ordination is necessary!
• Risk based controls promotes trade facilitation
• Transport costs – price sensitivity
# Security Initiatives - motivations

<table>
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<tr>
<th>Motivations</th>
<th>Focus</th>
<th>Initiative</th>
<th>Initiator</th>
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</thead>
<tbody>
<tr>
<td>Safety/Security</td>
<td>Rules/Control</td>
<td>ISPS-code</td>
<td>States/Supra national</td>
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<tr>
<td></td>
<td></td>
<td>CSI</td>
<td></td>
</tr>
<tr>
<td>Resources/recovery</td>
<td>Certification</td>
<td>AEO C-TPAT</td>
<td>Customs</td>
</tr>
<tr>
<td>Risk analysis Survey</td>
<td>Information</td>
<td>Pre manifest SAFE Port Act</td>
<td>States/Supra national</td>
</tr>
<tr>
<td>Less theft and Contraband</td>
<td>Standards/Info dissemination</td>
<td>BASC TAPA</td>
<td>Private</td>
</tr>
<tr>
<td>Standardisations Trade Facilitation</td>
<td>Use</td>
<td>ISO WCO- SAFE</td>
<td>Standardisation organisations</td>
</tr>
</tbody>
</table>
Authorised Trader Programmes

- C-TPAT, AEO, StairSec, Frontline … and 80 more?
- Co-operation Customs - Trade
- Criteria for the companies’ Security work
- Quick resumption of trade following incidents
- Customs authorities concentrate their resources
- Fewer controls for the companies
- Scope? Sanitary controls and others not included
AEO SWOT

• Strengths:
  Legitimate trade - smoother boarder procedures
  Risk selection - high-risk goods
  Quick start for the supply chain after an incident

• Weaknesses
  Where does the supply chain end?
  One size fits all?
  Mutual recognition?

• Opportunities
  Basis for further trade facilitation and e-customs procedures
  Professionalization of Supply Chain Management

• Threats
  New entry barrier to trade
  Business partner selection on non-business criteria
Scanning – not always so easy?

So what do you see?
Scanning – not always so easy?

Security example

- 25kg plastic explosive simulant, timer, power and detonator
Mutual recognition?

• 5 agreements:
  – US- New Zealand, Jordan, Canada, Japan;
  – Japan - New Zealand

• Mutual recognition “arrangements” – little transparency

• Is one AEO as good as another?

• In the making:
  – EU – China, Japan, Canada, (South Korea, India, NZ, SA)
  – Japan – Canada, Singapore
  – US – Mexico (Singapore, Australia)
An uncomfortable marriage: EU AEO and US C-TPAT

- Fine tuning - 80 % correspondence
- EU affects more data and transport modes
- AEO wider applications (safety, compliance with customs legislation general)
- Export, standardised assessments, validation visits!
- USA only import!
- 2009 Deadline...
How safe is safe?

- If you were a terrorist you would ...
  - like to be able to use the supply chain,
  - have huge difficulties accessing CBRN-material,
  - not want to lose an "asset".

**Modus operandi:**
Container is intercepted at some point along the logistics chain and opened illicitly. Weapon is inserted and container is closed/re-sealed. Weapon detonates in target area.

**Precedent:**
Not very common—some use in contraband and drug smuggling. More likely scenario for theft where container tampering/infiltration is very common.

**Risk of discovery:**
Possibility of discovery given multiple handlers and numerous visual inspections along the transport chain.

**Container from "Trojan horse" shipper**

**Modus operandi:**
Terrorist establishes “legitimate” export business, builds trading record and trust through legitimate operations over a period of time. Implements and receives vetting for on-site security practices.

**Precedent:**
Fairly common practice to pack container with drug and/or contraband at source, less common for a trader to build a reputation before going bad.

**Risk of discovery:**
In the case of a trader with an established “legitimate” trading record, very low.
Trends and Observations

- Increased number of Security initiatives
  - Continued globalisation
  - More information
  - 100% Scanning
  - Gains = Costs?
  - Risk assessments could be better
  - Developing and transit economies?
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