

SUPPLY CHAIN SECURITY INITIATIVES AND TRADE FACILITATION:

Are Security Initiatives Entry
Barriers? A Developing Country
Perspective.

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Financial Times, 9 June 2008

Trade Facilitation Environment of the Future

- It “will resemble an archipelago economy in which a few certified islands, which are secure and at the leading edge of technology, will attract container flows from around the world as obligatory points of passage...”

(Quoted from WCO Research)

Trade and Security Initiatives – Not Illogical

Objectives at the Border

- Effective and robust immigration controls
- Protecting tax base
- Protection against organised crime
- Protection against terrorism
- Prohibition/control of restricted goods
- TRADE FACILITATION AND THE INTERNATIONAL MOVEMENT OF GOODS

(“Security in a Global Hub, Establishing the UK’s New Border Arrangements” – November 2007)

Trade and Security Initiatives – Not New

United States – General Accounting Office Report July 25, 2003

- Container Security Initiative (January 2002) – rolled out in 24 ports
- Customs-Trade Partnership Against Terrorism (C-TPAT) (January 2002) – 1,700 participating companies
- Issues identified:-
 - Human capital (need for trained staff)
 - Expanding budgets (up about 100% to \$73 million)
 - Strategy and performance measures

Trade and Security Initiatives – Not All Bad News

- War Games in Los Angeles (security is important to all)
- WCO's SAFE Framework – the balance
- Capacity Building (e.g. WCO Columbus Programme – needs assessment, implementation, monitoring)
- Authorised Economic Operator Regimes (AEO in EU, C-TPAT in US, etc.)

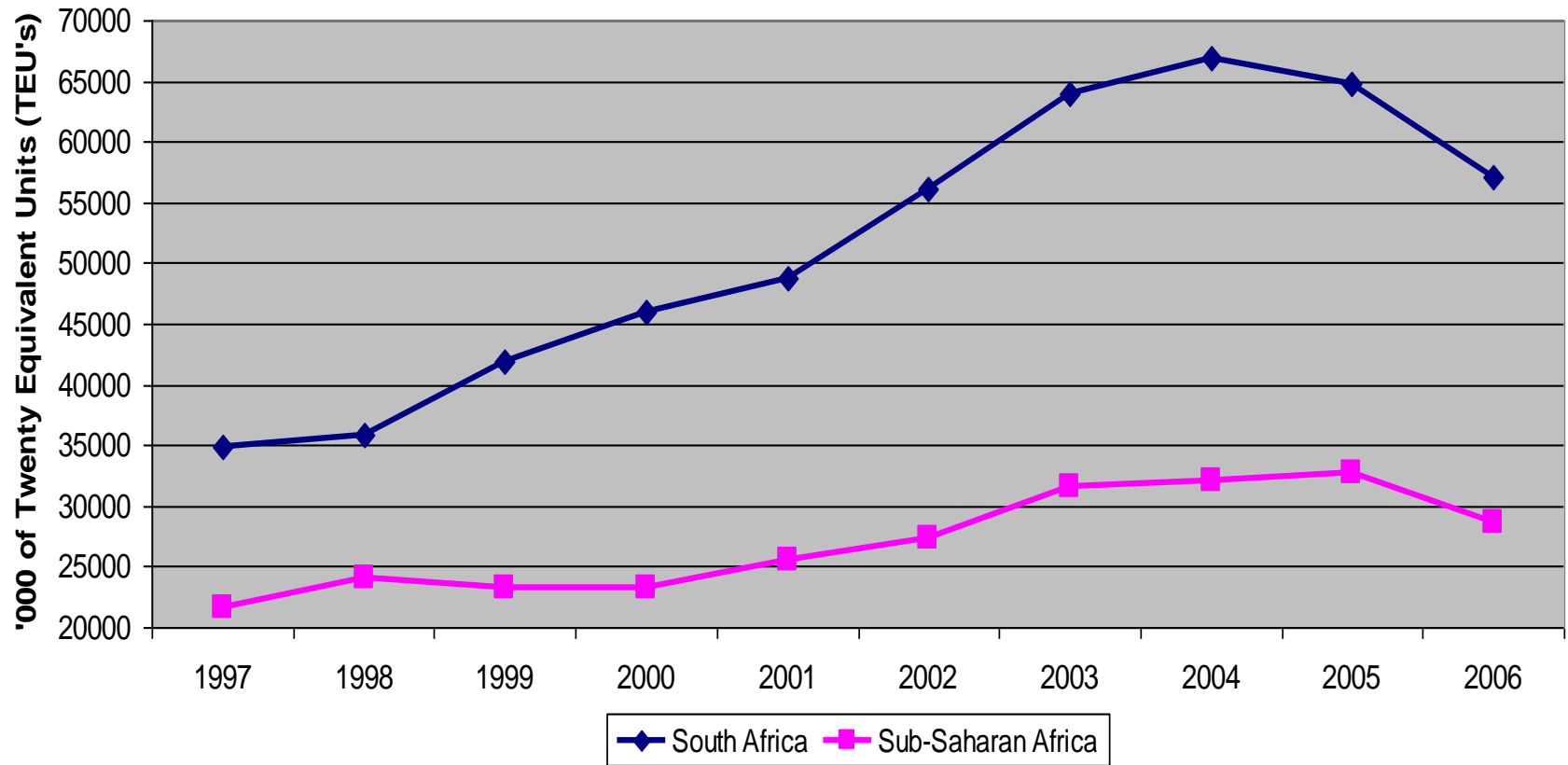
Situation in LDCs

- No LDCs have mega-port status (no plans for expanding outside Durban in Africa)
- Some LDCs are landlocked
- Most LDCs rely on unprocessed commodity items (not moved in containers)
- Disproportionate “slow lane” effect on LDCs
- 5-10 years to evaluate gains or losses

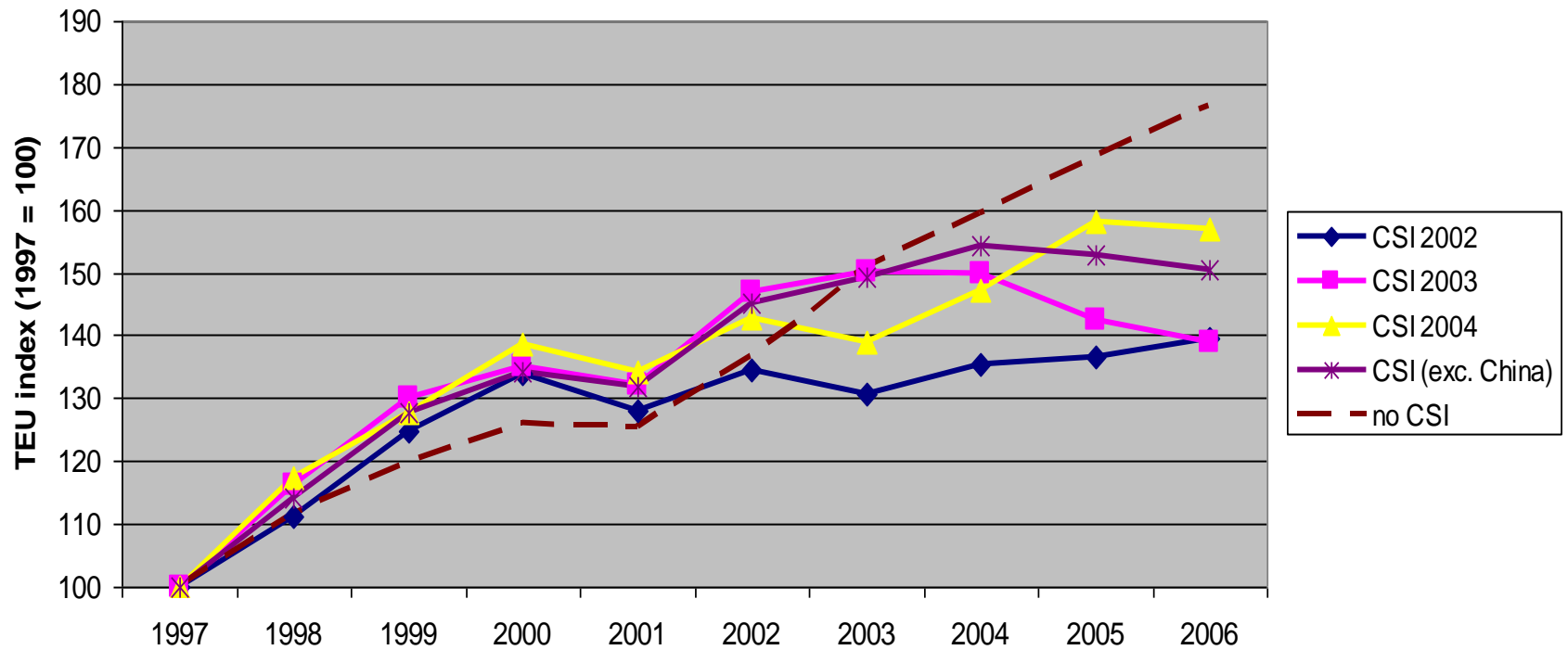
[Other significant infrastructure/regulatory barriers to trade]

(Nicholas Hughes Allen, Monterrey Institute of International Studies, 2006)

Africa container trade to the US



Container imports to the USA from CSI compliant and non-compliant countries
(by year of CSI implementation)



Trade and Security Initiatives – Emerging and Possible Developments

- 100% Scanning v Risk Analysis
- Other modes of trade (US 11.5 million sea containers, equal number of truck containers from Mexico/Canada)
- Increasingly refined technological equipment

The Challenges to SFI

- Operational - transshipment
- Technical – performance of equipment in poor weather
- Logistical – 700 different ports shipping to US
- Financial – initial US \$60 million towards SFI (costs not borne by foreign partners/trade)
- Diplomatic – customs and regulatory cooperation

OPTIONS FOR DEVELOPING COUNTRIES AND THEIR TRADERS

Practical

- Utilise Derogations in US Legislation
- Use Neighbouring Ports (Canada, Mexico)
- Transshipment
- Hub ports

Political

- Challenge under WTO Rules
- Reciprocate
- WTO Trade Facilitation Negotiations