



# Kommerskollegium

*National Board of Trade*

Security Initiatives – A Trade Facilitation Perspective

# Mission Statement

Open trade with transparent rules



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# Areas of Activity

- Analysis and Research for Negotiations
- Contact Point for questions on the WTO-agreements
- SOLVIT-centre for Companies and Individuals
- Import- and Export licences
- Open Trade Gate Sweden for Developing Countries



# Agenda

- Trade Facilitation - 3 minutes
- Supply Chain Security - 17 minutes
  - What programmes?
  - Driving Forces
  - US-programmes
  - EU-initiatives
  - Economic consequences
  - Trends and developments
- Questions (and Answers) – 5 minutes



# What is Trade Facilitation?

UN/CEFACT defines Trade Facilitation as

*“ the simplification, standardization and harmonisation of procedures and associated information flows required to move goods from seller to buyer and to make payment ”.*

(UN/CEFACT United Nations Center for Trade Facilitation and Electronic Business)



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# A Typical Trade Transaction...

- Involves from 27 to 30 parties (including brokers, banks, freight forwarders)
- 40 documents required
- Over 200 data elements
- 60-70% of data element re-typed
- 15 % of data element re-typed over 30 times

(Source: UNCTAD – United Nations Conference for Trade and Development)



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# 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



# Security Initiatives - Motivations

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

# US Security Initiatives

- Advanced manifest rule: 24 hour rule
- C-TPAT – Customs-Trade Partnership Against Crime
- FAST – Free and Secure Trade
- Container security initiative (CSI)
- ATS Automated targeting system
- ACE – Automated Commerce Environment
- Safe Port Act – 10+2
- Secure Freight Initiative
- 100 % Scanning



# EU Security initiatives

- Authorised Economic Operator (AEO)
  - Customs procedures
  - Safety and security
- Pre Arrival/Pre departure declaration
- Uniform Community risk-selection criteria for controls (Computerized)
- Multi Annual Strategic Plan (MASP)
- E-customs and Single Window



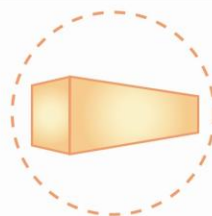
# WCO - SAFE

- WCO Framework of Standards to Secure and Facilitate Global Trade 2005
- 172 member states
- 149 have signed letters of intent in Dec 2007
- Both Security and Trade facilitation
- Partnership Customs – Trade - AEO
- Partnership Customs - Customs Advance manifest Rule with maximised number of data elements



# 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".



"Hijacked" container

**Modus operandi:**

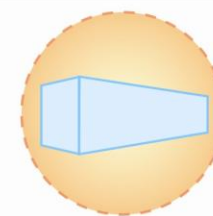
Container is intercepted at some point along the logistics chain and opened illicitly. Weapon is inserted and container is closed/re-sealed. Weapon detonates in target area.

**Precedent:**

Not very common-some use in contraband and drug smuggling. More likely scenario for theft where container tampering/entry 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.

# 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
- Professionalised logistics
- More controls – longer transport delays – higher costs – developing countries may be most affected
- Transport costs – price sensitivity



# Trends and Observations

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



# Download the Report



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