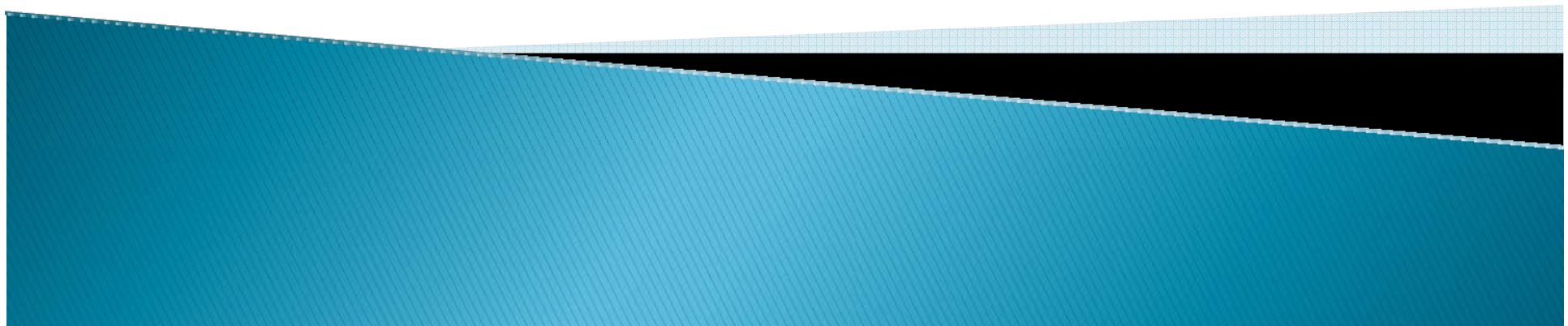


Inland Transport Security Discussion Forum
OSCE–UNECE Roundtable
13 December 2011, Vienna, Austria

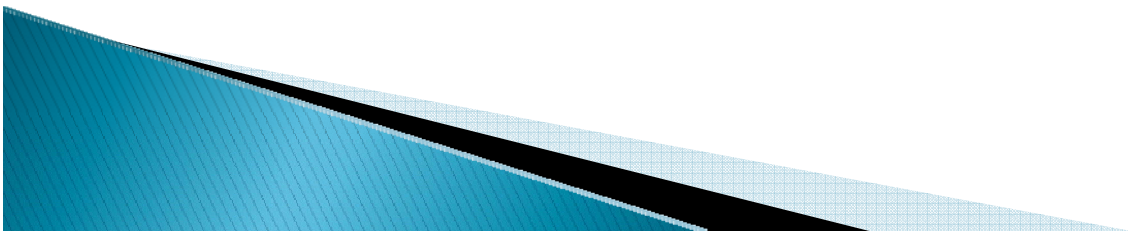
Trade Facilitation and Security: Review of Dr. A. Grainger paper

By Dimitrios Tsamboulas
National Technical University of Athens (NTUA)



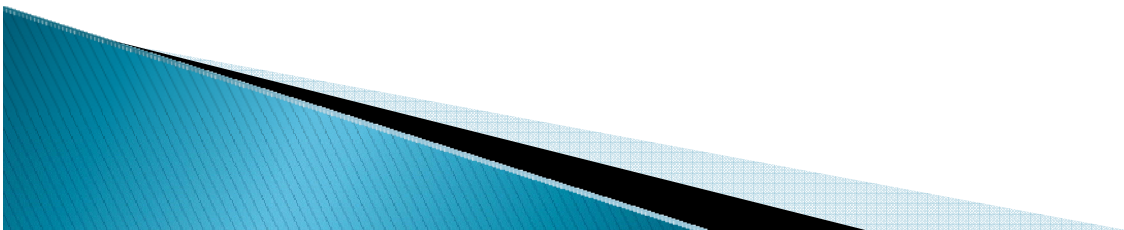
Security Risk in Trade Facilitation

- ▶ Timely and important topic
- ▶ Growing concern surrounding terrorism and other threats.
- ▶ Attacks on trade can have adverse impacts on an economy
- ▶ Threat of hazardous cargo to be misused and “weaponised”
- ▶ Cargo tampering and contamination



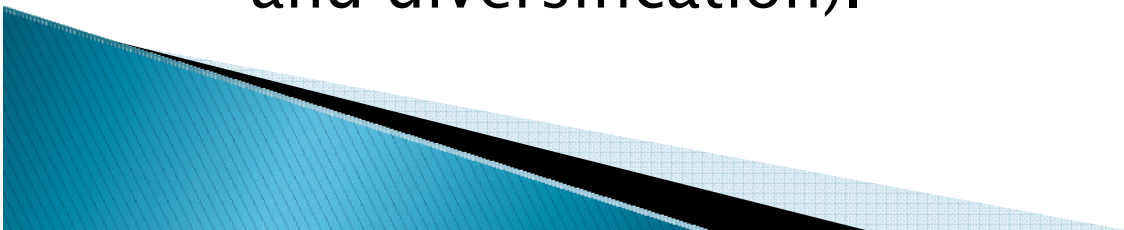
Main reasons for security attacks

- ▶ A small percentage of containers are physically inspected for land transport
- ▶ Theft and smuggling
- ▶ Major investments needed in low-margin industry
- ▶ Lack of clearly defined responsibilities and liabilities of actors in the chain (shippers, forwarders, transport operators)
- ▶ Conflicting, unclear and overlapping jurisdictions of national and international regulatory and oversight authorities
- ▶ Lack of uniformity in the rules and their application for making transactions in different parts of the world/countries
- ▶ Lack of common standards
- ▶ Missing link between security and throughput



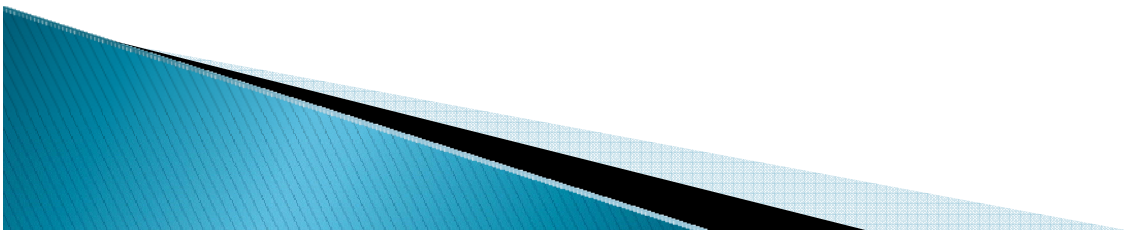
Trade Facilitation

- ▶ Key pillar of global economy and of individual development of countries.
- ▶ Trade and Transport Facilitation provides important benefits:
 - Increase trade competitiveness through better logistics, border management, and availability of services for overall improved supply chain performance.
 - Result is better cash flow, lower risk, just in time delivery, and more market opportunities (volume and diversification).



Key Issues

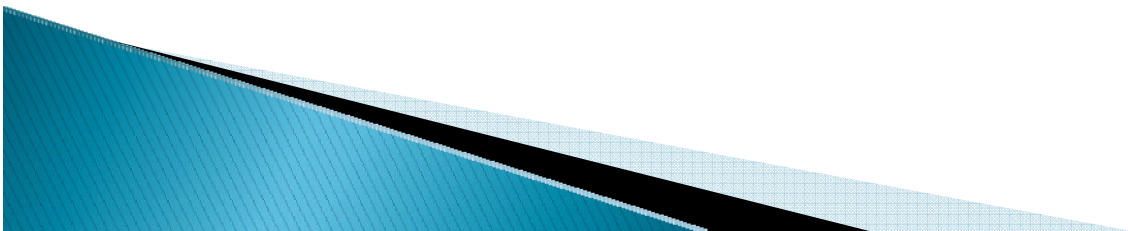
- ▶ Correct balance between trade security measures in a way that these do not impair international trade flows.
- ▶ Extent to which countries take a step backwards from trade facilitation they have implemented, by giving the companies an increasingly complex set of regulations to comply with and by customs authorities increasing their controls.



“Trade Facilitation and Security”

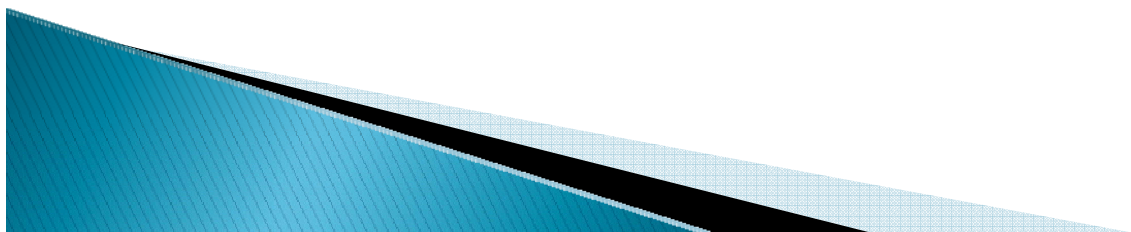
Dr A. Grainger

- ▶ Thoroughly describes current trade and custom procedures
- ▶ Develops strong arguments to support the conclusion that more emphasis on risk management is called for, as opposed to procedures.



Trade and Customs Procedures by Dr. A. Grainger

- ▶ Thorough review of trade and customs procedures for imports and exports for both cases of landlocked and non-landlocked countries.
- ▶ Direct and interesting comparison between the two types of countries
- ▶ Transparency, standardization and harmonization of import, export and transit formalities and information flows.

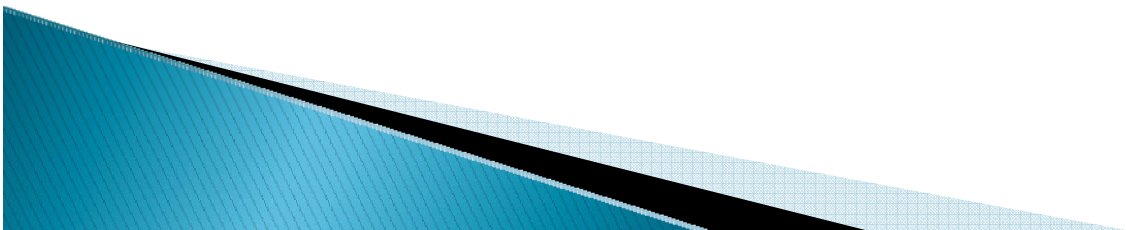


Trade Compliance

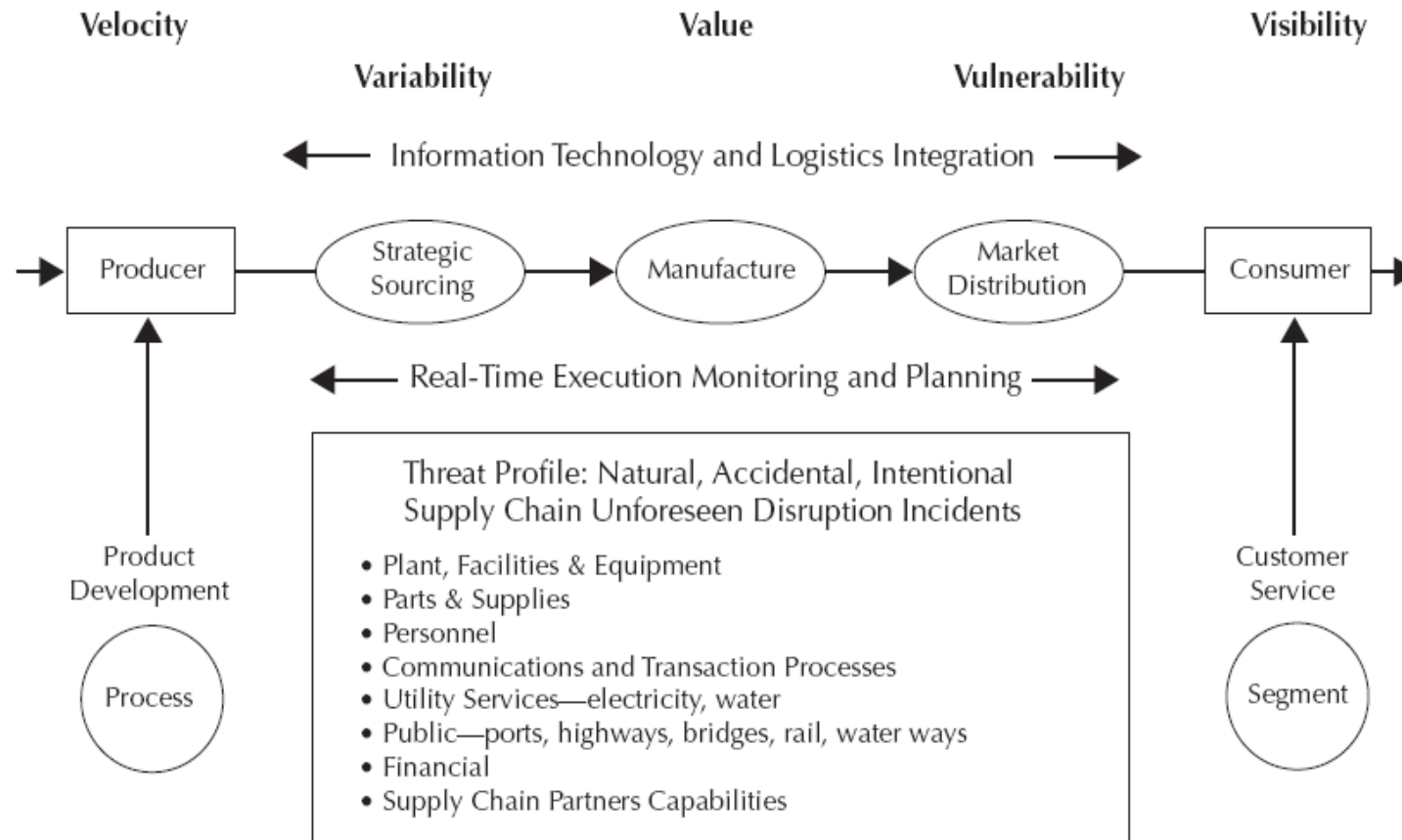
- ▶ Cost of Trade Compliance should be explored between the government and the key players in the entire logistic supply chain, as presented by Dr. A. Grainger:
 - Traders
 - Transport operators
 - Providers of trade services, such as banking, finance and insurance;
 - Operators of transport infrastructure
 - Freight forwarders, shipping agents and logistics service providers.
- ▶ How do compliance costs affect the final product price?
 - For example, in the case of higher security costs, are insurance costs reduced, and, thus the regulatory compliance costs are set off by such decrease?

Security Risks and Regimes

- ▶ Systematic understanding of risks and security within international trade operations is essential.
- ▶ As supply chains become more complex due to global sourcing, supply networks, disintegration/fragmentation, and continuing trend to “lean down” operations, the supply chain vulnerability to disruption risks increases and hence the need to mitigate those risks.
- ▶ Explore the challenges in a supply chain network.
- ▶ Explore the different effect of security regimes on the individual actors:
 - Shippers, Traders and representatives
 - Transport operators
 - Ports



Supply Chain Network–The Challenges



Security Categories and Objectives

- ▶ Identify a list of involved stakeholders for each security category (described by Dr. A. Grainger), as well as impacts and related costs.
- ▶ Consider “Location” specific category identifying critical infrastructure.
- ▶ Fair amount of work has been carried out in the security sector with regards to identifying and protecting critical infrastructure.
 - *According to Executive Order 13010 (12), critical infrastructure is defined as “Infrastructures so vital that their incapacitation or destruction would have a debilitating impact on defence or economic security”*

What Constitutes Critical Infrastructure Over Time

Infrastructure	Criteria for Being Considered Critical. Vital to...			
	national defence	economic security	public health and safety	national morale
telecommunications information networks	x	x		
energy	x	x		
banking / finance		x		
transportation	x	x		
water			x	
emergency services			x	
government			x	
health services			x	
national defence	x			
foreign intelligence	x			
law enforcement			x	
foreign affairs	x			
nuclear facilities in addition to power plants			x	
special events				x
food / agriculture			x	
manufacturing		x		
chemical			x	
defence industry	x			
postal / shipping			x	
national monuments / icons				x

Source: Meteff, J. Copeland, C. and Fisher, J. Critical Infrastructures: *What Makes an Infrastructure Critical?* Report for Congress, No 31556, Congressional Research Service, The Library of Congress, 2002.

Port : An Interdependent System

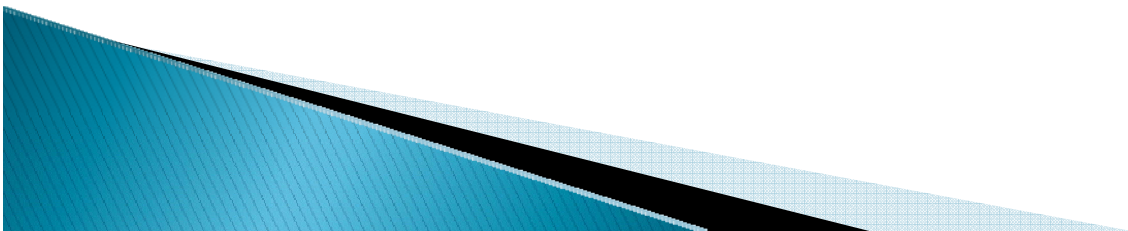
- ▶ Indicative example of the diversity of risk perceptions.
- ▶ Character of the port: a dynamic nodal point in the entire supply chain is further
- ▶ Higher security risk related to the interaction of all the different actors involved.
- ▶ Is the implementation of ISPS code solving security issues? How impacts the trade flows?
- ▶ Two additional concepts:
 - Secure Trade Lane
 - Supply Chain Resilience

Secure Trade Lane Concept

- ▶ Secure trade lane : end-to-end secure logistics supply chain solution
 - Physical goods and container verification at the point of origin and destination
 - Provision of validated Advanced Cargo Information and Documentation
 - Secure information capture for onward transmission
 - Securing container integrity
 - Multi-point in-transit interventions (spot checks)
 - Container tracking and visibility
 - Non-intrusive inspection
 - Credentialing/ training of logistics/warehousing personnel

Supply Chain Resilience

- ▶ Critical to uninterrupted trade and counteracting the vulnerability of supply chains.
- ▶ *“The ability of a supply chain system to reduce the probabilities of disruptions, reduce the consequences of those disruptions, and reduce the time to recover normal performance”.*
- ▶ Identify management best practices and harmonised counteract measures that could be useful for resilience implementation in a number of critical sectors supply chains.



Methodology for a supply chain security resilient system

- ▶ Identification of required elements of a pre-standardisation framework for Supply Chain Resilience Management System services standard, adapted for the critical industry sectors.
- ▶ Proposed Steps:
 - Realisation of a guide of good supply chain resilience practices
 - Testing/analysis of different threat scenarios
 - Identification of the supply chain resilience harmonisation needs
 - Identification of further research needs in the domain of Supply Chain
 - Resilience Management System and
 - Editing of standardisation business plan

Logistic Performance Index (LPI)

- ▶ World Bank six indicators for Logistic Performance Index (LPI)
 - Efficiency of the customs clearance process
 - Quality of trade and transport-related infrastructure.
 - Ease of arranging competitively priced shipments.
 - Competence and quality of logistics services.
 - Ability to track and trace consignments.
 - Frequency with which shipments reach the consignee within the scheduled or expected time.
- ▶ **It would be beneficial to explore adding a new indicator: security**

