Trade Recovery

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Scope

• Background
  – importance of trade
  – total supply chain security

• Need for trade recovery

• APEC Trade Recovery Programme (TRP)

• Takeaways and challenges

• Latest developments
Background: importance of trade

- trade accounts for about 60% of world GDP
- lifeblood of global economic development
- enabler of modern supply chains
Background: total supply chain security

- **total supply chain perspective** necessary due to complexity of cargo supply chain
- **chain of responsibility** concept

- growing consensus on this approach
- advocated by World Customs Organisation
Background: WCO and supply chain security

• SAFE Framework of Standards

• 2 key pillars:
  – Authorised Economic Operator (AEO) programmes
  – mutual recognition of AEO programmes

• risk management & profiling approach
Need for trade recovery: impact of trade disruption

Mar 2006 US Congressional Budget Office (CBO) report on closure of Los Angeles/Long Beach

Loss to US alone: US$ 65-150 million per day
Need for trade recovery: impact of trade disruption

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Loss to US alone: US$ 65 - 150 million per day

Oct 2006 Booz Allen Hamilton study on economic impact of 30-day US port closures

Cumulative real losses to 12 APEC economies over 3 years:
GDP loss: US$ 137 billion
Trade loss: US$ 159 billion
Need for trade recovery: supply chain resilience

• first focus of security efforts was on prevention of terrorist attack
• however, no 100% guarantee
• supply chain is as strong as its weakest link
• ability to recover from trade disruption is the other aspect of a resilient supply chain
  – important to have system in place before an attack
  – concern about overreaction compounding impact
Trade recovery: why APEC?

- 21 Member Economies
- 40% of world population
- 54% of global GDP
- 44% of global trade

Asia-Pacific Economic Cooperation (APEC)
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tr>
<td>July 2006</td>
<td>APEC Total Supply Chain Security Symposium, Singapore</td>
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<td>Nov 2006</td>
<td>Small group of APEC economies embarked on study to develop APEC Trade Recovery Programme (TRP)</td>
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<td>Sept 2007</td>
<td>APEC TRP study endorsed by APEC Leaders</td>
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<td>May 2008</td>
<td>Planning began for APEC TRP Pilot Exercise to study how TRP can be implemented</td>
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<td>Feb 2009</td>
<td>2-day APEC TRP table-top exercise (TTX)</td>
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<td>Apr 2009</td>
<td>APEC TRP Pilot Exercise</td>
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APEC TRP: What it is

- Set of plans, procedures, & arrangements to identify & address specific actions needed following a security event that disrupts trade operations
- Framework for co-ordination among economies & relevant stakeholders to streamline trade flow resumption in as efficient a manner as possible
APEC TRP: Key pillars

• Establish a **Plan of Action**
  – logical sequence of steps that economies should take following a supply chain/trade-disrupting terrorist attack

• Implement **Model Guidelines**
  – shared framework of post-industry actions consistent with industry practices

• Engage in **Communication**
  – building relationships to establish **trust** & demonstrate **transparency**
APEC TRP: Principles – 5 ‘R’s

- **Respond**
  - actions to be taken in the immediate aftermath of a terrorist incident that disrupts trade

- **Repair**
  - action taken to identify & address security gaps to mitigate risk of similar attacks

- **Reconstitute**
  - actions taken to bring trade system back to steady state

- **Resume**
  - full restart of trade operations, including lifting any interim measures previously imposed

- **Review**
  - comprehensive study of actions taken & results achieved, aimed at improving plans for future events
APEC TRP Pilot Exercise

• held in 2009 to:
  – demonstrate feasibility of the APEC TRP
  – test & validate model guidelines
  – generate feedback & discussion to aid workable implementation of TRP

• 2-day **table-top exercise (TTX)** in Feb 2009

• **Pilot Exercise** 20-30 Apr 2009
  – **Phase 1**: activation of TRP & actions to be taken under TRP in 1st 5 days following incident
  – **Phase 2**: played through ‘steady state’ where cargo flows had reached level of normalcy
Takeaways: for governments

• need to strike a balance between security & commercial efficiency
• multilateral approach & international co-operation essential
• risk-based, total supply chain approach can facilitate trade recovery
• benefits of trusted relationships between trading partners - exemplified by MRAs of AEO programmes
• need to establish communications channels & develop operational processes to activate & execute TRP
Takeaways: for industry

• new paradigm: security as source of competitive advantage, not additional cost

• benefits to industry:
  – lower incidence of losses (theft; pilferage)
  – less disruption to operations
  – higher efficiency & reliability
  – higher assurance of business continuity
  – higher confidence from customers & business partners
  – enhanced brand reputation
Challenges

• acknowledging that enhancing logistics & supply chain connectivity & security are enablers of trade

• raising awareness of need to work on trade recovery

• examining domestic structures & processes that can:
  – build trust
  – establish transparency
  – enhance communications

• streamlining processes to facilitate trade resumption & smooth supply chain movement

• need for multi-agency collaboration within & between economies
Latest developments

• **WCO** included Trade Recovery Guidelines as part of its SAFE Package in 2010, building from the APEC TRP
  
  [http://www.wcoomd.org/home_pfoverviewboxes_safepackage.htm](http://www.wcoomd.org/home_pfoverviewboxes_safepackage.htm)

• Work is continuing in **APEC** to operationalise the TRP

• **IMO** is now looking at maritime aspects of trade recovery
Thank You

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