

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

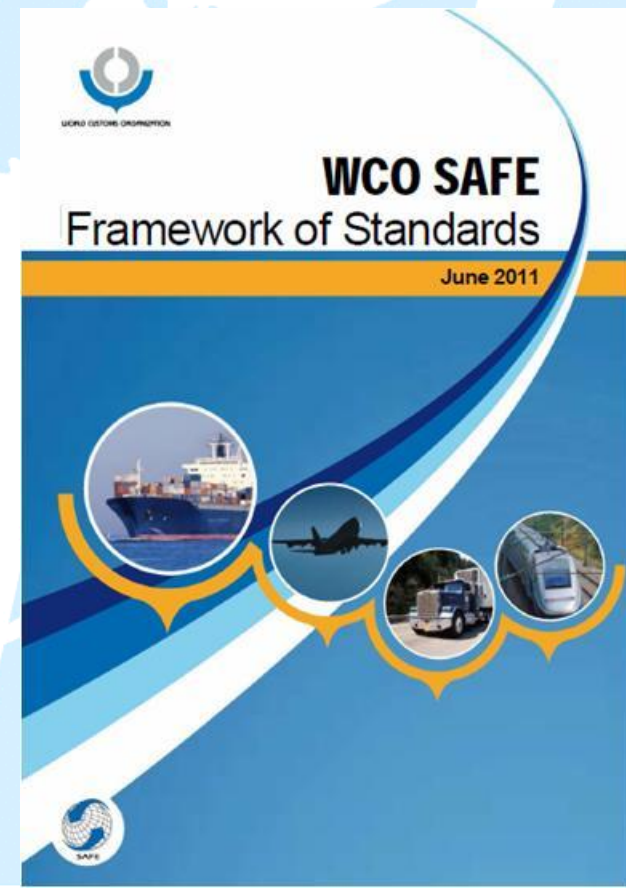
- total supply chain perspective necessary due to complexity of cargo supply chain
- chain of responsibility concept



- growing consensus on this approach
- advocated by **World Customs Organisation**

Background: WCO and supply chain security

- SAFE Framework of Standards
 - adopted June 2005; latest edition June 2011
- 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
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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?



Asia-Pacific Economic Cooperation

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

APEC TRP: milestones

July 2006

APEC Total Supply Chain Security Symposium, Singapore

Nov 2006

Small group of APEC economies embarked on study to develop APEC Trade Recovery Programme (TRP)

Sept 2007

APEC TRP study endorsed by APEC Leaders

May 2008

Planning began for APEC TRP Pilot Exercise to study how TRP can be implemented

Feb 2009

2-day APEC TRP table-top exercise (TTX)

Apr 2009

APEC TRP Pilot Exercise

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

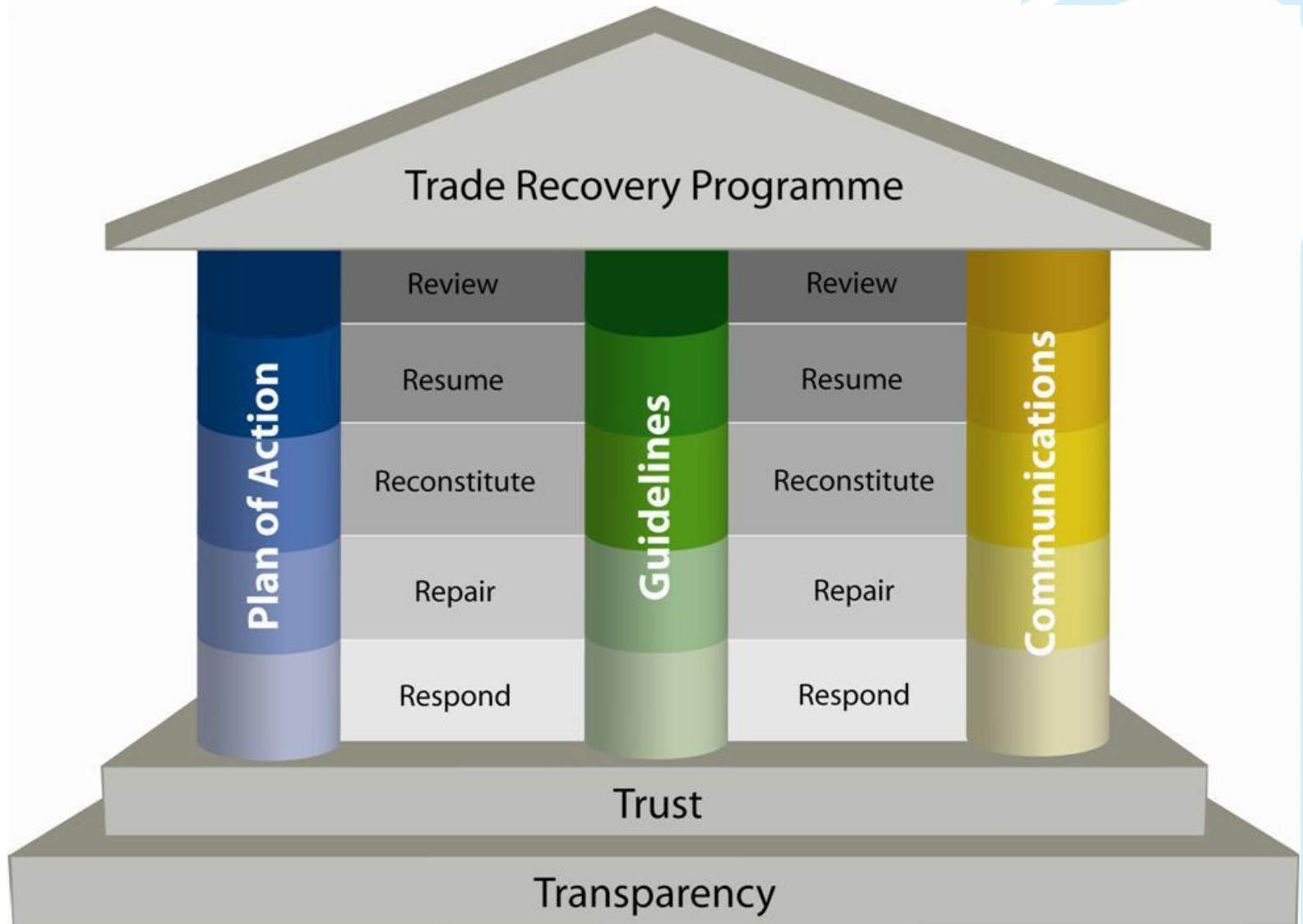
APEC TRP: Key pillars

- 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 Structure



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

- 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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