



Security & Defence Agenda Report

Protecting Global Trade in Transit

SDA roundtable
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Protecting global trade in transit

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Protecting global trade in transit

International trade represents between a fifth and a quarter of the world's total estimated annual GDP of \$60 trillion, and it's widely feared that transport is increasingly the Achilles Heel of the global economy. How can Europe harmonise the efforts of security authorities with transport and customs authorities? Are EU-U.S. efforts to establish a common security approach beginning to bear fruit, and what are the prospects for a truly global regulatory framework? What would be the cost in terms of higher insurance premiums and increased investment in high-tech equipment of terrorist-proof transport? Do Washington and Brussels share the same approach to potential rogue states on the enforcement of security procedures?

Speakers and Co-Moderators



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Editor
Security Europe



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Introduction

Fears that global trade could become a prime target for terrorists with devastating effects on the world economy formed the starting point of the SDA debate with contributions from expert speakers from the European Commission, World Customs Organization and the security industry.

The discussion centred primarily on the potential threat to maritime transport which accounts for around 90 percent of all international trade and which is considered increasingly vulnerable to attack from terrorists who may be turning their attention away from aviation due to increased security.

Speakers stressed the importance however of balancing security measures with the need to keep trade flowing freely and to limit the extra costs stemming from security measures.

"We should avoid over-reacting," said Antonis Kastrissianakis, Director for Security and Safety, Trade Facilitation and International Coordination at the European Commission's Directorate General for Taxation and Customs Union.

100% scanning

Kastrissianakis and other speakers were critical of plans approved by the US Congress to demand 100 percent scanning of incoming containers by 2012. "The costs are enormous, but the benefits are doubtful," he contended, adding that the EU is hopeful that it will not be required to implement the American legislation.

The need for increased cooperation at international level, but also between business and public authorities, and among government agencies such as customs, intelligence and transport regulators was stressed by several speakers.

There were reassuring comments on technological developments in the security field, but speakers emphasized the crucial role of intelligence as the front line in transport security

since the huge scale of maritime trade made it extremely difficult to detect threats at point-of-entry.

The debate raised differences between those who advocated a specific focus on the terrorist threat and those promoting synergies with the wider fight against smuggling and other economic crimes.

"The first principle that we adhere to in developing maritime security rules is that any rules should not paralyse trade. There has to be proportionality."

SDA Director Giles Merritt set the tone for the debate explaining how the trend in recent years for ever bigger container ships had brought down the costs of trade, but led to the creation of bottlenecks at ports as vast numbers of containers arrived at any one time, making it more and more difficult to screen

them. Merritt pondered the devastating impact on the US and global economy that could be wrought by terrorists exploding a radiological bomb at major American port.

"What we have to wrestle with now as policy makers is the whole issues of balancing costs," he contended. "The costs of increasing scanning ... are extremely unappealing at a time when we have got an economic slowdown."

Robert Missen, Head of Unit for Land and Maritime Security at the European Commission's Directorate General for Mobility and Transport stressed that a balance has to be found between security and acceptable costs. "Transport is the life blood of the economy," he said. "The first principle that we adhere to in developing maritime security rules is that any rules should not paralyse trade. There has to be proportionality."

He pointed out that a 1 kilogram bomb can bring down a plane but would not be noticed if it went off in a shipping container, therefore 100 percent screening is not needed in shipping: "there isn't a one-sized fits all rule" in security. "The rules required in aviation are very different from the rules required in maritime. Aviation is a very special area because the threat is primarily to passengers.

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As for land transport, he said there appeared to be little incentive for terrorists to attack road or rail freight. "Road transport is sufficiently flexible that if you close one road, there are always others," Missen said. "The quantities of cargo going by rail mean that it's simply not interesting for a terrorist to attack rail, from a cargo perspective."

Co-moderator Brooks Tigner, Editor of Security Europe, posed a question to the panel: have maritime and overland trade so far escaped an attack because the authorities are doing a good job of protecting them, or because the terrorists haven't yet realised their vulnerability and value as a target.

"I suspect the terrorists haven't latched on the vulnerability," he suggested.

Kastrissianakis warned that Europe faces an infinite range of potential threats and can never have 100 percent security. "Our societies have to live with a degree of risk and uncertainty," he said. He cautioned against over-reaction, citing the US call for 100 percent scanning of containers as an example. The EU, he said is "extremely sceptical" of that initiative, warning it could be counterproductive by creating an illusion of total security.

He however stressed that the Commission is very much in favour of combining instruments to that can transcend the traditional trade-off between more security and facilitating the free flow of trade. "Through technological and organizational change we've managed to make improvements in both minimizing trade-offs and maximizing synergies," he said.

This can be achieved through multi-layered risk management which enables authorities to focus on the most likely and high-impact threats. The EU level of security is becoming more and more relevant he said. "If you want to preserve the single market and the customs union, it is not possible to do that without making sure our external borders are adequately safeguarded and that this is done in a secure

harmonized way."

Integrating transport policy

Over the past few years, the Commission has successfully worked to integrate transport security policy with the member states. Initiatives to this end include putting in place infrastructures for advanced collection of cargo data; an EU layer of common risk rules to allow risk analysis; a system of online communication for exchanges of information and EU rules for the validation and authorization of companies.

Customs, transport and intelligence authorities should work more closely together, he insisted. "We are, in this context, also ensuring that the risk analysis can be undertaken before loading. This is a very important concept," Kastrissianakis said.

Magnus Ovilius is Senior Vice President for Government relations at Smiths Group, which works with governments around the world to provide screening for security threats. He explained the industry wants to collaborate more closely with regulators to prepare for evolving customs and border requirements and to identify potential threats.

"Identifying the threat is increasingly more difficult, whether the threat is strategically hidden in an occupied vehicle or in the middle of shipping"

"Identifying the threat is increasingly more difficult, whether the threat is strategically hidden in an occupied vehicle or in the middle

of shipping," he said.

The crux of the problem is how to ensure rapid detection without destroying or disrupting the flow of goods. He stressed the importance of setting up a more organized forum for interaction among security stakeholders, notably industry and regulators to look at transversal issues such as border control, customs, transport, ICT systems, logistics, law enforcement, and privacy and data protection concerns. The latter issue could become more pressing as screening increases, he predicted.

He also warned that the transport of explosives was becoming

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ing a greater potential problem, expressing concern that the turmoil in some Arab countries was increasing the availability of explosives and small arms.

Ovilius suggested that the EU's neighbourhood policy should have a stronger security component, not just from the point of view of terrorism, but also to counter smuggling, for example of cigarettes and counterfeit goods. He cautioned against about the rigidity of security measures. "We cannot just keep adding security measures which increase delays when you unload a huge container ship. A container ship with 13,000 containers at a major container port does not have the time."

In cases where physical inspection is not possible, Ovilius said there needs to be more risk-based assessment, better intelligence and a better concept of operations. It is also a priority to make sure newly developed detection technology is used in conjunction with intelligence.

"We can only do that if we in the private sector who provide the security and the regulators who do the risk and threat assessment have a greater dialogue," he said. "We need to interact more in order to be cost efficient."

International and cross-sector cooperation

A European platform to promote public-private dialogue would be very helpful, he suggested. Among other ideas, Ovilius urged the creation of common requirements and standards, improved mutual recognition, and coordination and prioritization of the available funding from EU and national programmes.

"It would be a great shame today if we were unable to work together to address these concerns and take it forward, based on its importance to the global economy," he concluded.

From floor, Keith Vaughan from the European Express Asso-

ciation, appealed for security risk analysis to remain focused on security threats and not to confuse terrorism with smuggling or other criminal activity. "There is a tiny percentage of shipments that needs to be examined in the search for security threats," he contended. Ovilius countered that too rigid a division between counter terrorism and crime fighting risked costly duplication.

"We cannot just keep adding security measures which increase delays when you unload a huge container ship. A container ship with 13,000 containers at a major container port does not have the time."

Hartmut Bühl, editor of The European Security & Defence magazine, asked how the customs services can respond to intelligence and tackle a chemical, biological or radiological threat.

Several speakers stressed the need for greater international cooperation. Missen said the Commission was seeking to avoid duplication of rules and to ensure that new measures did not simply add to red tape without adding to security. "It has to be flexible and revised always." He said mutual recognition agreements with non-EU countries were "desirable" but only with those countries that have an equivalent interest in security.

The EU has good cooperation with the United States despite the 100 percent scanning ruling from Congress, Missen said. "We are making very constructive progress to make sure that while the letter of that law may not change in the statute book, in pragmatic terms it's applied in such a realistic way that does not prejudice trade negatively," he said.

He said the EU also needed to set security requirements for its internal trade since the 27 countries often have different security procedures.

Kastrissianakis said international cooperation is "essential if we want to improve the effectiveness of security."

The EU is seeking bilateral cooperation including such things as mutual recognition agreements for trusted economic operators. Such an agreement already exists with Japan, and the EU and US have just put the finishing touches on a similar agreement. In June, the Commission also released a joint supply chain security statement with the US.

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With Norway and Switzerland, the EU is working to create a single customs area and work is ongoing with China on a pilot project to promote smart and secure trade links, he said.

From the audience, Dinos Stasinopoulos a former European Commission official asked if there were cultural and philosophical differences between Europe and the United States on security issues.

Kastrissianakis replied that the US was making a welcome “come back” in international cooperation and that the EU is now working more effectively to build up cooperation with the Americans, including through an agreement on the mutual recognition of authorized economic operators, which could be implemented by 1st July next year.

A secure supply chain

The topic of international cooperation triggered several questions from the audience: Abeda Osman, from the Afghan Mission to the EU, asked if there are accountability systems built into international transit agreements; Erik Jandrasits from Science Industries asked if the USA will also implement the export side of security measures; Carsten Hess from Deutsche Post asked about helping developing countries build up security in their ports for consignments exported Europe; and from the German Marshall Fund of the United States, Bruno Lete raised the question of building security cooperation with emerging powers like China and Brazil and asked if the private sector would have to foot the bill for increased security infrastructure in ports.

Gaozhang Zhu is Director of Compliance and Facilitation at the World Customs Organization, which has 117 members and is the only international intergovernmental organization that deals with customs and procedures in international trade.

He stressed the need to ensure authorities have a clear understanding of the environment surrounding international trade. “We should take a holistic approach to address this problem. Trade in transit is an integrated and unalienable part of the global supply chain, he said. “Vulnerabilities or gaps in any part of this chain can have significant implications, hundreds or even thousands of miles away.”

Trade in transit can be one of the most vulnerable parts of the supply chain due the comparative lack of control which leaves it open to illicit actors such as organized criminals or terrorists. “We can reduce the potential risks by increasing the visibility of the supply chain,” he said. “In today’s high velocity and complex logistics environment, visibility of the supply chain has become a key strategic imperative.”

Tracking consignments will enhance risk management and ensure product quality and safety, enhanced by the growth of technologies such as electronic product coding and radio frequency identification, Zhu said.

In reply to a question from Tigner, Zhu said new technology was increasing visibility on the supply chain making it easier to track consignments.

“A secure, efficient and resilient supply chain will be the best protection of trade in transit, but this cannot be realised by one independent or separate party. It should be realised by all parties involved in this global supply chain”

Timely exchanges of information between customs authorities can also mitigate risks and the WCO has developed tools to do that, including mutual recognition guidelines. “We can guarantee national security and safety as well as business security through cooperation between customs, the private sector and other regulatory bodies,” he said.

“A secure, efficient and resilient supply chain will be the best protection of trade in transit, but this cannot be realised by one independent or separate party. It should be realised by all parties involved in this global supply chain,” he concluded.

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Merritt asked if the risk could be narrowed down by profiling of cargo based on what might be considered as a potential target for terrorists. Jonathan Dowdall of Security Europe also wanted to know how profiling could be developed in a customs context.

In reply, Kastrissianakis said the authorities were trying to narrow the threat by collecting information systematically on all consignments, applying risk analysis to the information and then acting in accordance.

"Where the risk remains, we focus on the risks that are higher." He said one of the challenges was the interconnection of risk analysis between different bodies such as customs, transport, home affairs, intelligence etc., which needs to be more effective.

From the private sector, Ovilius cast some doubt on the "trusted operator" concept pointing to the Norwegian mass killer Anders Behring Breivik who was able to pass undetected for five years while he planned his bombing and shooting attacks this summer.

He said "unpredictable and random" checks were needed to counter threats.

"We cannot treat one country or one trusted operator the same way over five years, we need to constantly monitor and evaluate the processes," he said. "We need to be constantly vigilant."

Kastrissianakis defended the trusted operator system but agreed that it could not be trusted blindly and that unpredictability had to be integrated into the risk management system.

Dafydd Ab Iago, from Argus Media, asked how maritime transport and security and security of energy supply would be affected by possible new EU sanctions on Iran, and Lada Gulvarch from the European Commission's DG Budget questioned the panel about the EU's early warning preparedness for terrorist scenarios involving a WMD attack by sea and what the consequences would be if such an attack were to shut down a major European port for even a few days.

Missen said such a scenario would have "horrendous" consequences by disrupting the supply of goods, especially from the Far East. Energy supplies would also be cut off. He said intelligence was the best way of thwarting any such plot to place a large scale bomb in a container.



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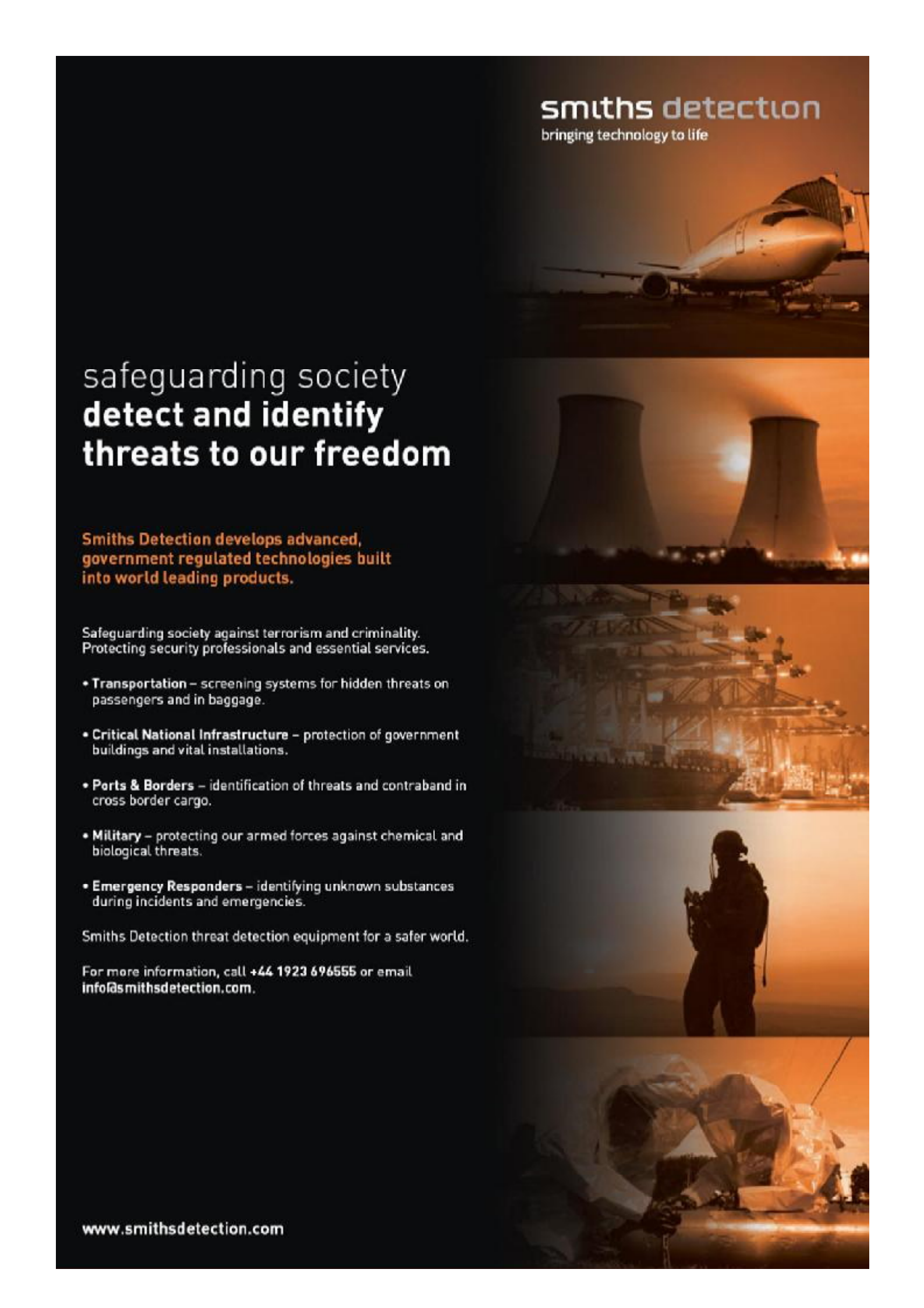
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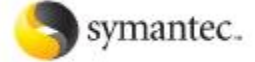
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