Responding to a Disruption to the Global Supply Chain: Facilitating Trade Recovery

Submitted by: Singapore
"Responding to a disruption to the Global Supply Chain: Facilitating Trade Recovery"

Gregory Goh
Ministry of Transport
Singapore

SCOPE

• The International Trade Environment
• Need for Trade Recovery
• The APEC Trade Recovery Programme (TRP)
• The Way Forward
• Conclusion
The International Trade Environment

- World merchandise exports
  - Up 15% in 2007 to US$13.6 trillion over 2006
- World GDP
  - Grew by 3.7%
- APEC’s per capita GDP
  - Up from US$5,205 in 1989 to US$13,994 in 2006
- APEC GDP
  - Tripled from US$11.8 trillion in 1989 to US$37.3 trillion in 2006
- PECC forecast
  - Asia-Pacific region attain 3.7% economic growth in 2008 and 4.4% in 2009

Terrorist Threats to Global Trade

- Objectives of terror attacks
  - Instill fear in the general public
  - De-stabilize governments
- Terrorist targets
  - Aircraft and ships
  - Public transport systems
  - Iconic buildings and public infrastructure
Terrorist Threats to Global Trade

• Potential target
  – Supply chain
  – To disrupt global Economic system

• Maritime container system
  – More than 90% of world trade are containerised
  – Many opportunities for terrorist infiltration
  – Easily concealable
  – Many weak links

Many efforts to secure and defend supply chain
  – International programmes
  – Domestic programmes

Existing programmes focus on preventive measures
  – C-TPAT (US)
  – PIP (Canada)
  – StairSec (Sweden)
  – SES (NZ)
  – STP (Singapore)

No guarantee of 100% security against terrorist attack on the global supply chain
NEED FOR TRADE RECOVERY

• Disruption to global supply chain

<table>
<thead>
<tr>
<th>Natural Disaster</th>
<th>Terrorist Attack</th>
</tr>
</thead>
<tbody>
<tr>
<td>Affects only one port</td>
<td>Fear of similar attack affects all ports</td>
</tr>
<tr>
<td>Alternative ports at full capacity</td>
<td>Enhanced security reduces capacity of alternative ports</td>
</tr>
<tr>
<td>Recovery is physical</td>
<td>Recovery is psychological</td>
</tr>
<tr>
<td>Limited impact on global trade</td>
<td>Significant impact on global trade</td>
</tr>
</tbody>
</table>

NEED FOR TRADE RECOVERY

• Economic Impact
  – US Congressional Budget Office (CBO) report
    • Loss to US between US$65 million and US$150 million per day
      – Covering containerised cargo arising from partial closure of LA and LB ports
  – Study on “Economic Impact to APEC”
    • 30-day equivalent period of diminished port activity
    • Estimated loss in exports is $98.8B in the first year and $154B over three years;
    • Total estimated loss in GDP is $104.1B in the first year, and $136.5B over three years
NEED FOR TRADE RECOVERY

• Post-event scenario
  – Fear of secondary attack
  – Increased level of security and security measures

• Delays in container clearance (first order impact)
  – 225 million container movements a year
  – Chokes in ports
  – Delays to ships

• Impact to industry (second order impact)
  – Slow down in manufacturing
  – Slow down in ship productivity and turnaround
  – Impact on workers and wages

NEED FOR TRADE RECOVERY

• Impact to SMEs
  – Cash flow
  – Closures and bankruptcy

• Security as a non-tariff trade barrier
  – High cost of meeting additional security demands
APEC Trade Recovery Programme

- **Aim**
  - Minimise the period of disruption
  - promote the restoration of trade

<table>
<thead>
<tr>
<th>Country</th>
<th>15-day</th>
<th>30-day</th>
<th>60-day</th>
<th>15-day</th>
<th>30-day</th>
<th>60-day</th>
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<tbody>
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<td>United States</td>
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<td>175.1</td>
<td>499.2</td>
<td>0.6</td>
<td>1.3</td>
<td>3.7</td>
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<td>120.8</td>
<td>1.0</td>
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<td>11.1</td>
<td>1.2</td>
<td>2.5</td>
<td>5.6</td>
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<tr>
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<td>81.6</td>
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<td>3.2</td>
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<tr>
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<td>1.0</td>
<td>2.3</td>
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<tr>
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<td>3.7</td>
<td>1.3</td>
<td>2.7</td>
<td>5.3</td>
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</tbody>
</table>

**Total / average of 12 economies**

|                | 67.2   | 136.5  | 299.0  | 0.8    | 1.6    | 3.4    |

APEC Trade Recovery Programme

**Principles of APEC TRP**

- Be aware and recognise the importance and need to quickly recover trade
- Have sound supply chain security measures
- Mutually recognise and accept each others’ domestic supply chain security measures
- Establish good communications, transparency and trust
APEC Trade Recovery Programme

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APEC Trade Recovery Programme

- Respond
- Repair
- Reconstitute
- Resume
- Review
APEC Trade Recovery Programme

- Respond
- Repair
- Reconstitute
- Resume
- Review

- Container Management
- Security Management
- Incident Management
- Communications Management

- Relationships
- Interactions
- Information Exchange

Trust

Transparency
APEC Trade Recovery Programme

- Consistent with existing international standards and programmes
  - WCO SAFE FoS
  - ISO 180001
  - ISPS Codes
- Non-prescriptive
  - Provide guidelines
  - Effects based

APEC TRP Pilot Exercise

- Authorised Economic Operator (AEO) Programme
  - Ensure security and integrity of domestic supply chain
  - Auditable and certifiable
- Mutual Recognition Agreements (MRA)
  - Links AEO programmes
  - Allows predictability and understanding
  - Facilitates swift recovery
- Economies encouraged to develop AEOs and establish MRAs
  - Provides certainty of continued trade
  - Balances need for security and needs of global consumers
The Way Forward

- Capacity Building Workshop on APEC TRP
  - Organised by Singapore
  - Provide deeper understanding of APEC TRP and its benefits

- WCO inclusion of trade recovery programme into WCO FoS
  - Gives trade recovery larger significance
  - Sets the stage for better global integration

APEC TRP Pilot Exercise

- APEC TRP Pilot Exercise
  - Exploring conduct with like-minded Economies

- Objectives of pilot exercise
  - Demonstrate feasibility
  - Test validity of guidelines
  - Generate feedback and discussion
    - For workable implementation
CONCLUSION

- APEC TRP adopts a total supply chain security approach
  - Spreads the responsibility of security
  - Easily implementable
  - Stronger than its sum

- The APEC TRP takes a risk-based approach towards security
  - Globally recognised and accepted approach
  - Realistic
  - Good balance between facilitation and security

CONCLUSION

- APEC TRP is not onerous
  - Consistent with existing international standards and programme
  - Premise on AEO programmes and MRAs
  - Provides safe conduit for trade to continue flowing

- TRP provides competitive advantage
  - Recognised certification
  - Facilitated treatment
THANK YOU