

# “The Big Squeeze”

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# Security Statutes Passed Since 9/11

- Homeland Security Act of 2002, P.L. 107-296 (November 25, 2002)
- Trade Act of 2002, P.L. 107-210 (August 6, 2002)
- Security and Accountability for Every Port Act of 2006, P.L. 109-347 (October 13, 2006)
- Implementing Recommendations of the 9/11 Commission Act of 2007, P.L. 110-53 (August 3, 2007)

# Feeding the Security Monster

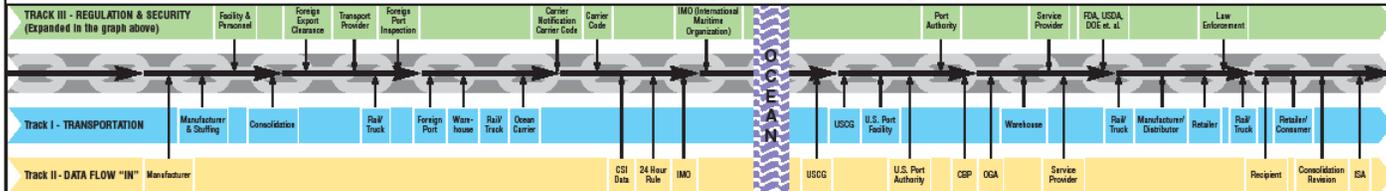


## The American Trader's Guide to Post 9/11 and Homeland Security Programs

Current as of Fall 2007

UNITED STATES SECURITY PROGRAMS (POST 9/11)	A. PROGRAM DESCRIPTION											B. COMPLIANCE IMPACT*						C. RESOURCE EXPENDITURES*																			
	Responsible Govt Entity	Trade Participants		Pre-shipment Procedures	Industry	Market of Transit (Multi-Terr. Expenditure)	Direct Security Plan Requirements for Program	Specific Security Equipment Requirements	Advanced Information Required (for program or participant)	Item Shipment Date (Shipping)	Background Checks Required	Physical Cargo Exam (Required for Program)	Cargo Sealing & Origin Agency Specific Minimum Security Requirements	Delay-Supply Chain (>24 hours)	If Delay, % of shipments?	Delay-Supply Chain (24-48 hours)	Extended Delay-Supply Chain (48 hours+)	Major Delay-Supply Chain (>7 days)	Production System Disruption (>1 hour)	Production System Disruption (>1 day)	Increased Inventory	Job Disruption	Previously Unaffected Jobs Impacted	Reassignment of Available Resources	Addition of External Resources	Added Manpower Hours (<2%)	Added Manpower Hours (>2%)	Cost Increases (<1%)	Cost Increases (>1%)	Significant Financial Investment (>2% and >\$100,000)	Significant Financial Investment (0-2% and <\$100,000)	Significant Investment (Multi-year)	Time (<2% of transport time?)	Time (>2% of transport time?)			
		U.S. Exporters	Other																																Carrier/Shipper/Port	Carrier	ACE/OT/EMA
<b>I. DEPARTMENT OF HOMELAND SECURITY</b>																																					
*This chart is a work in progress. Categories B and C reflect general consensus and are SME oriented. Thus, they underrepresent larger and multinational companies.																																					
Adherent Trade Disruptions (ATSD-PL07)	DHS/CEP	Exporters	Importers		All																																
C-TPE	DHS/CEP	TD	Importer/Carrier/Shipper/Port		All																																
Maritime Transportation Security Act (MTSA)	DHS/Coast Guard		Carrier		Seam																																
Electronic Manifests (EMAS)	DHS/SPROOT		Carrier/Importers	ACE/OT/EMA	Track (M)																																
Forward Search Track (FST)	DHS/CEP/SEA		Carrier	C-TPE/ACE/OT/EMA	Track (M)																																
Container Security Initiative (CSI)	DHS/SPDOCE	TD	Carrier/Importers	OS/SP/CE/MTSA	Seam																																
Aviation Supply Program	DHS/ATFAA	Exporters	All Carriers	FAB	All																																
Secure Freight Initiative	DHS/SPDOCE	Exporters	Ports/Carriers/Importers	OS/SP/DOCE	Seam (M)																																
IMN Sealing	DHS/CEP	TD	Importer/Carrier/Shipper/Port	CE/SP	Seam (M)																																
<b>II. OTHER GOVERNMENT AGENCIES</b>																																					
Crucial Truck Delay Inspection Program (Pilot)	DOT/CTA/MD		Importer/Truck Carrier		Truck																																
Highway Truck Regulations	DOT/FAA/FAD	Exporters	Carrier		All																																
Department of Energy	DOE/CEP		Importer/Shipper		All																																
Industrial and Services Programs (Pilot)	DOE/CEP		Importer		All																																
<b>III. INTERNATIONAL/MULTI-LATERAL</b>																																					
Safe Framework of Standards to Secure and Facilitate Global Trade	WCO (National)	Exporters	All	C-TPE/MD	All																																
International Safe & Port Facility Security Code (ISPS)	International	Exporters	Coast/Carrier/Port		Seam																																
Authorized Economic Operator	EU/USA et al.	Exporters	All	C-TPE	All																																
<b>IV. PRIVATE SECTOR</b>																																					
Trade Frequency Identification (Trade FID)		Exporters	Importer/Carrier		Coast/Truck (M)																																
WCO SAFE Framework (C-TPE)	CEP	Exporters	All		All																																
International Standards Organization (ISO/PAS 2626)		Exporters	All		All																																
<b>V. EMERGING AND POTENTIAL</b>																																					
Container Standards and Procedures	DHS	TD	Importer/Carrier		Seam (M)																																
Indian Air Carrier Standard Security Program (ACSP)																																					
Data Security Filing (DSF) - Proposed in Regulation	DHS/CEP	TD	Importer/Shipper/Carrier/Shipper/Port		All																																
Transportation Worker Identification Credential (TWIC) - Proposed in Regulation	DHS/Coast Guard/SA/DOE	Exporters	Truck/Importer/Port		Coast/Truck																																
Global Trade Data Exchange (GTIX)	DHS/SPDOCE	Exporters	All	ACE/ACE/OT/EMA																																	
<b>VI. COMPLIANCE WITH SECURITY IMPACT</b>																																					
Financial Resources (Control Procedures and Enforcement)	DHS/CEP	Exporters	Importers		All																																
Container Security Checks Program (CSC)	DHS/CEP	Exporters	Importers		All																																
Advanced E-Port System (AES)	DHS/CEP/DOE	Exporters	Importers		All																																
Automated Trading System (Automated Security Targeting System)	DHS/CEP	Exporters	Importers		All																																
Euro/ES (M)	DHS/CEP	Exporters	Importers		All																																

## The American Trader's Guide to the Supply Chain — 3 Integrated Essential Tracks



# Where Does Safety Fit?



# Security vs. Safety

## ➤ Security

- Integrity of the supply chain by ensuring the “box” has not been tampered from “point of stuffing” through transportation and delivery
- Preventing the “WMD in a box”

## ➤ Safety

- Integrity of the product itself by quality of the ingredients, composition and functionality of the product
- Preventing harm to consumers
- **Checking for safety in the supply chain or at the port of entry is too late**

# President's Working Group on Import Product Safety

- Initial Report issued September 10, 2007, Public Meeting on October 1, 2007, Report to President on November 17, 2007, and Action Plan Update issued in July 2008
  - Strategic framework based on cost-effective, risk-based approach
  - Prevent harm
  - Intervention
  - Response
- Building blocks
  - Advance common vision
  - Increase accountability, enforcement and deterrence
  - Risk over life-cycle of product
  - Building interoperable systems
    - **Accelerate ITDS**
  - Culture of collaboration
    - Ex.: China, the toy industry and voluntary industry standards
  - Promote technological innovation and new science
- CBP is working with CPSC to integrate product safety into CBP's audit program

# Remember: What Goes Around, Comes Around (It's Not Just the U.S.)

- European Union – Authorized Economic Operator
  - Security
  - Facilitation
- World Customs Organization – SAFE Framework of Standards to Secure and Facilitate Global Trade
  - Harmonize advance electronic cargo information requirements
    - Advance Cargo Manifest Rules
  - Adoption of risk management approach to security
    - Strategic Targeting
  - Exporting country perform inspection of high-risk cargo
    - Automated Export System
  - Provide benefits to business that meet minimal supply chain security standards and best practices
    - C-TPAT Tiers 1 - 3
- What will Japan and China do?

# Toolbox of Basic Trade Principles

## ➤ Risk Management

- Account-based management
- Private-public partnerships for low risk companies adopting internal controls and best practices
  - Ex.: C-TPAT and ISA
- No “one size fits all” policy
  - **How will small-medium size enterprises comply?**

## ➤ Data = Risk Management

- More data submitted to government on imports and exports
  - **What about data confidentiality?**

## ➤ More Data = Facilitation

- Ex.: “10+2,” WCO data standard, etc.

# Nagging Issues

- Risk Management Standards – security vs. safety
  - Trade Agencies = low risk (security)
  - Science-Based Agencies = no risk (quality assurance)
    - Ex.: AQI User Fee on Canadian shipments to prevent pest infestations
- Data Confidentiality
  - Government still does not understand that data is a corporation's private property
    - Ex.: Data disclosure to Pemex
- User fees
  - Cargo paying 100% of the bill for security (and maybe safety)
  - Corporate return on Investment
    - Multi-year sustaining programs
- Standards
  - Some industries or products have no U.S. safety standards
- What happened to facilitation?
  - Product safety, like trade security, need a holistic approach
- **Trade touches everything**

# Squeezing the Global Supply Chain

- Trade Security
  - C-TPAT
  - “10+2” Importer Security Filing
  - 100% Scanning (Delayed)
- Product Safety
  - ITDS Requirements
  - Consumer Product Safety Improvement Act of 2007 (P.L. 110-314)
  - Food and Drug Globalization Act (Dingell bill)
  - Food Tracking Improvement Act (S. 3422)
- OGA Requirements
  - AQI User Fee (pests prevention and mitigation)
  - Lacey Act Amendments (Section 8204 Prevention of Illegal Logging Practices)
- **Bring your trade/logistics team into the strategic planning process to avoid delays and disruption**

# Questions?