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**Supply Chain Security: adding to an
already complex operational and
institutional environment**



Supply Chain Security

- the US-led CTPAT and CSI programmes
- the European Union's Security Amendment to the Customs Code (648/2005/EC)
- the Swedish Stairsec programme
- the Canadian Partnership in Protection programme
- the New Zealand Secure Export programme
- the Australian Frontline programme
- the ISO/PAS 28000 standard for supply chain security systems
- the IMO's security amendment to the SOLAS convention and the newly drafted ISPS code
- various IATA initiatives including the known shipper concept
- the WCO's framework of standards to secure and facilitate global trade (WCO 2005)

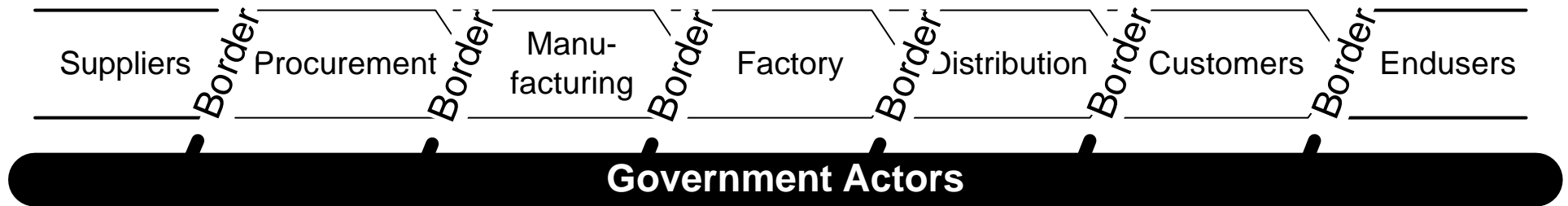


Regulatory Security Objectives

- Identify security risks before goods move.
- Make efficient use of finite enforcement resources
- To enhance controls at the border
- Ensure that wealth-generating trade continues
- Extending controls up and down the supply chain

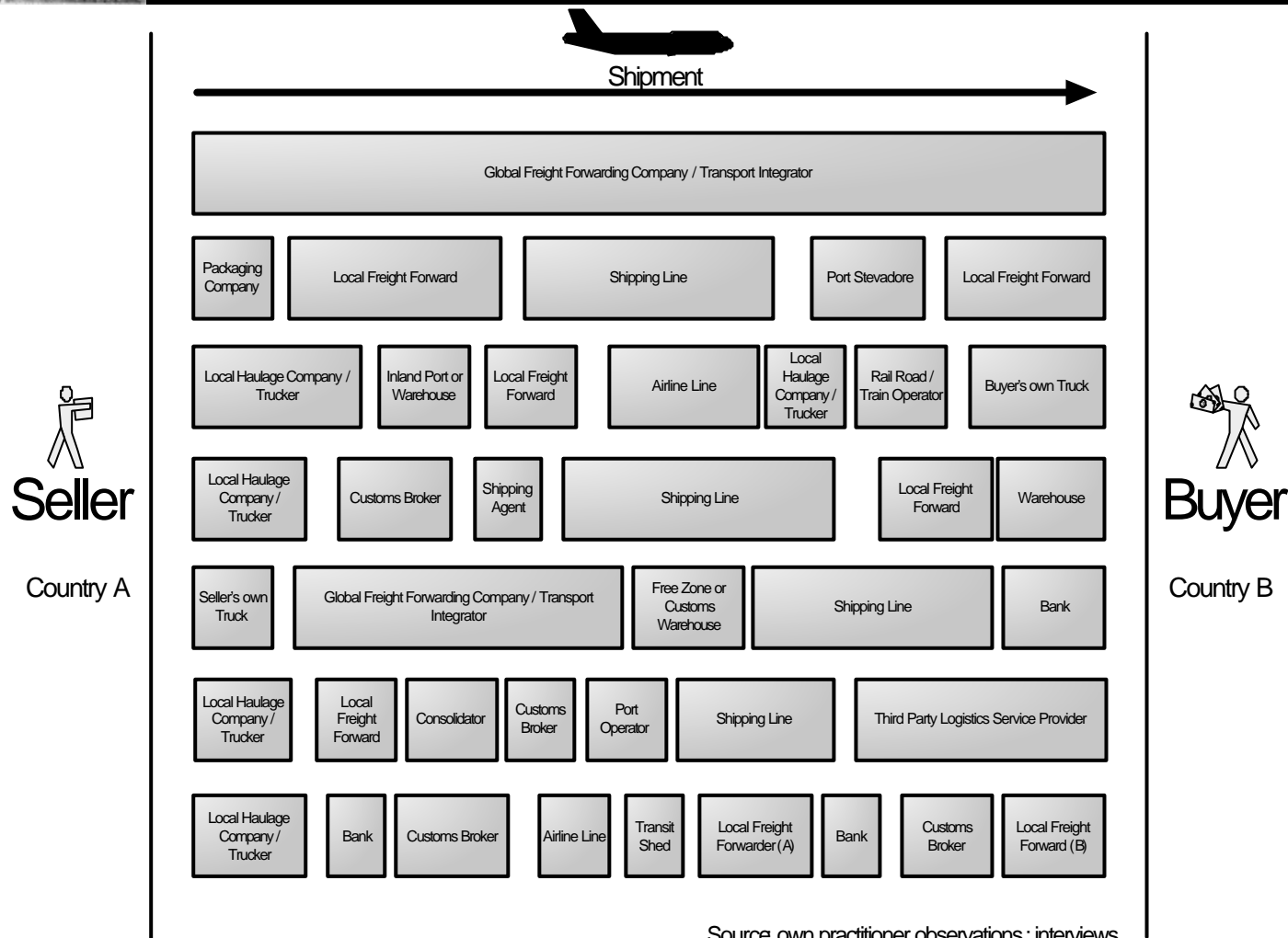


Government: a new thread running across the supply chain?





The Cross-border Operational System





Many Trade Procedures

Regulatory Category	Examples of related activity
Revenue Collections	Collection of Customs duties, excise duties and other indirect taxes; payment of duties and fees; management of bonds and other financial securities
Safety and Security	Security and anti smuggling controls; dangerous goods; vehicle checks; immigration and visa formalities; export licences
Environment and Health	Phytosanitary, veterinary and hygiene controls; health and safety measures; CITES controls; ships' waste
Consumer Protection	Product testing; labelling; conformity checks with marketing standards (e.g. fruit and vegetables)
Trade Policy	Administration of Quota restrictions; CAP refunds



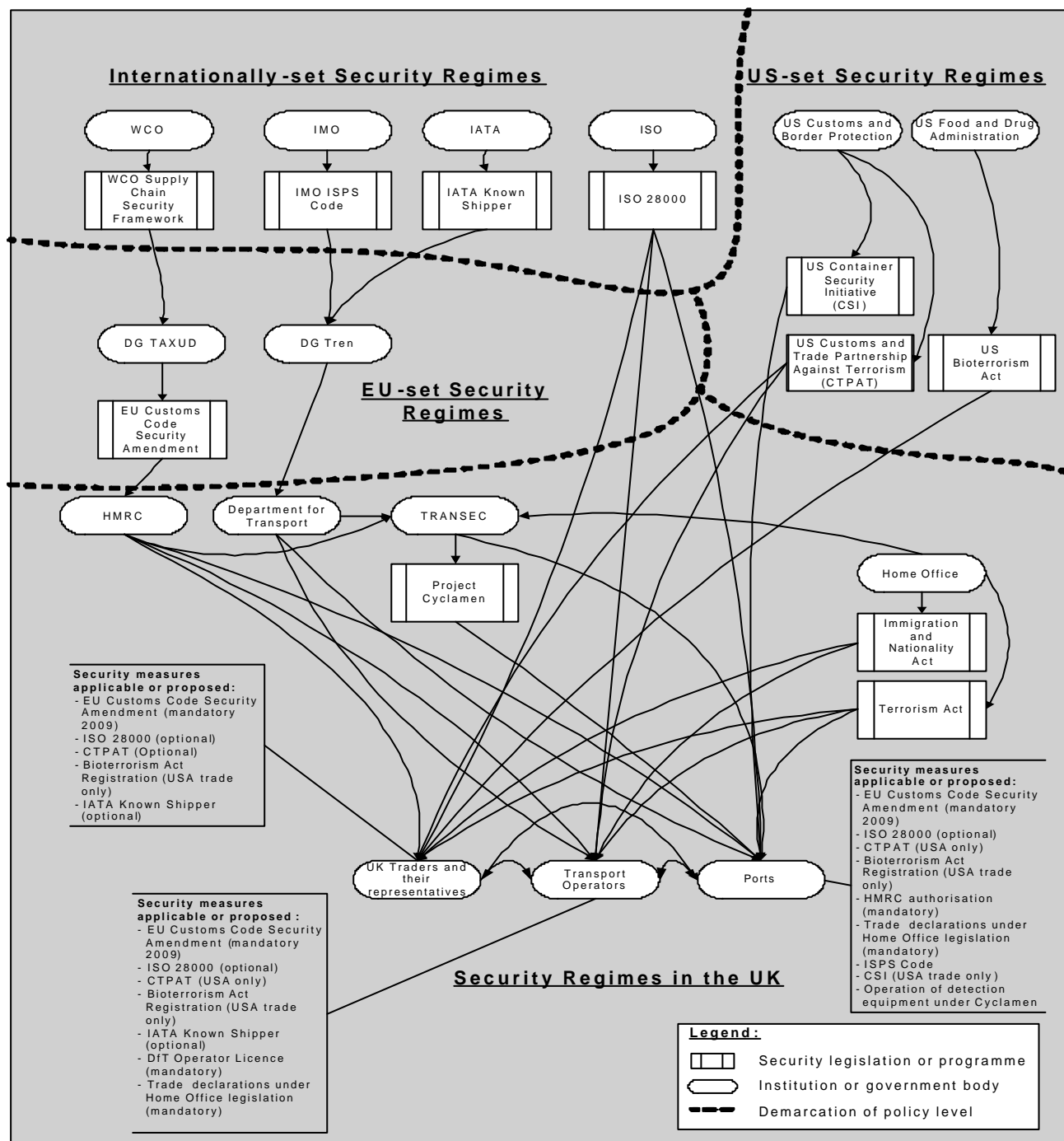
Concerns and Perceptions

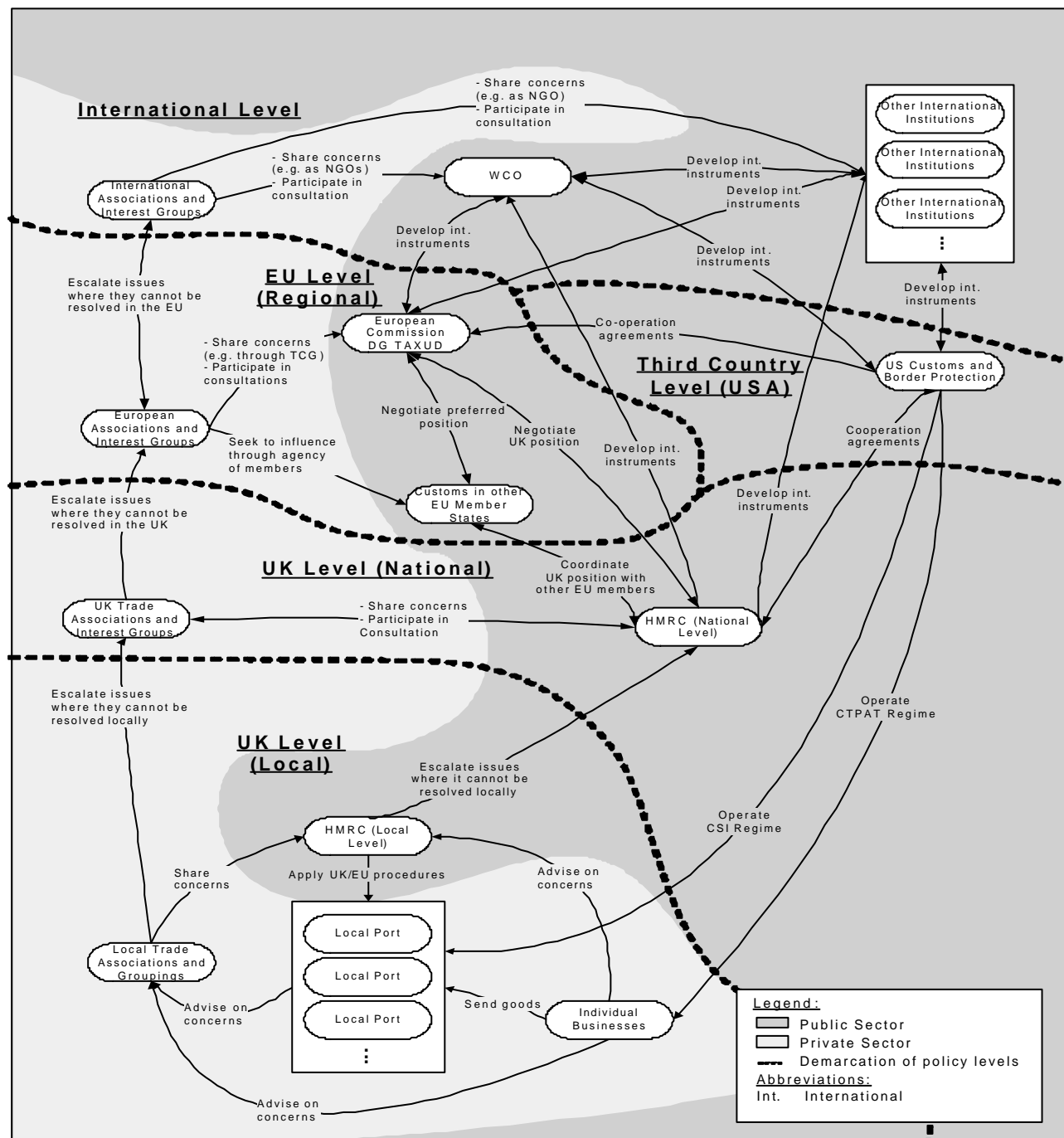
- Technology
- Performance of government
- Capabilities
- Trade procedures
- Cooperation between actors
- The performance of business
- Uncertainty

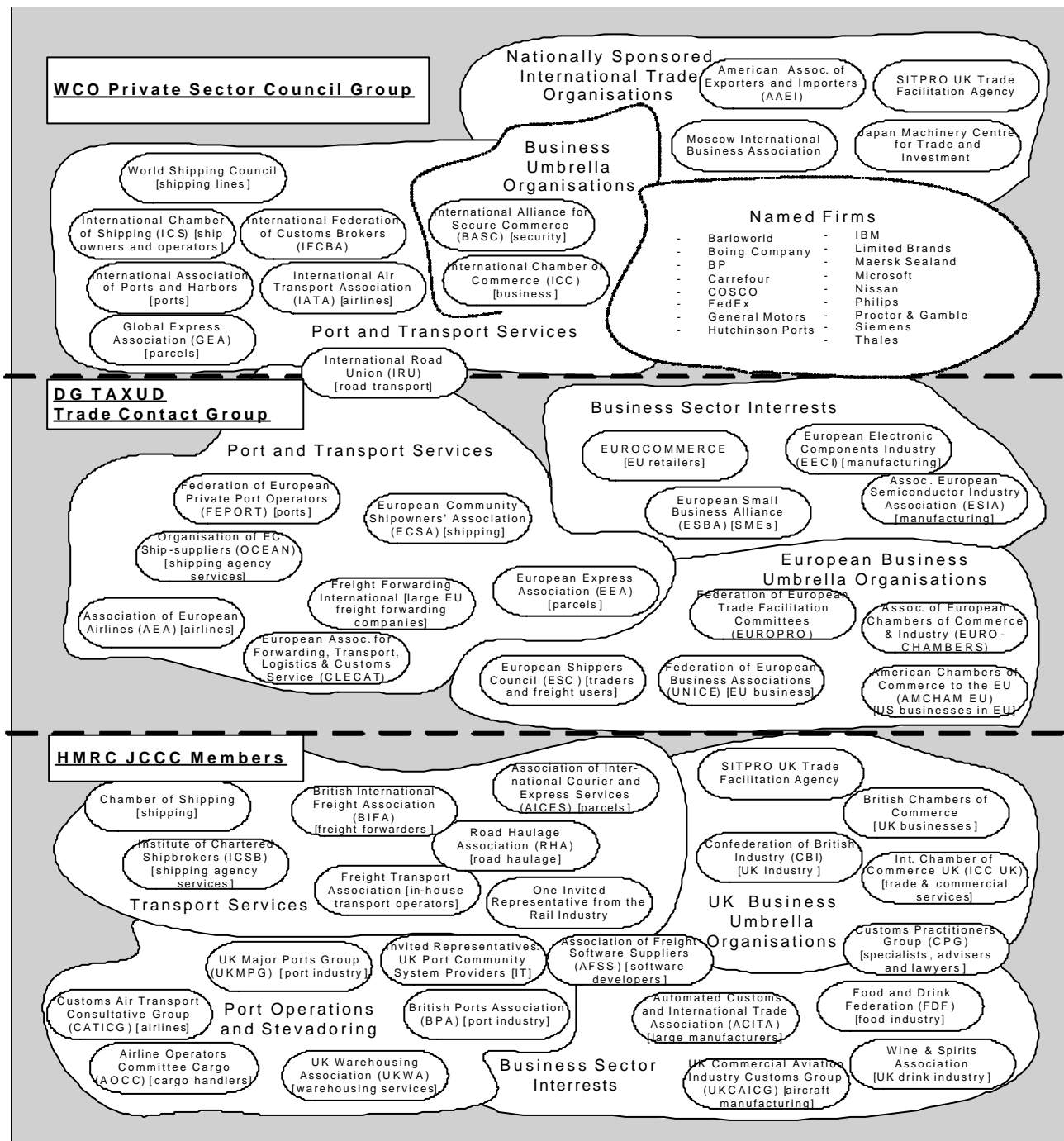


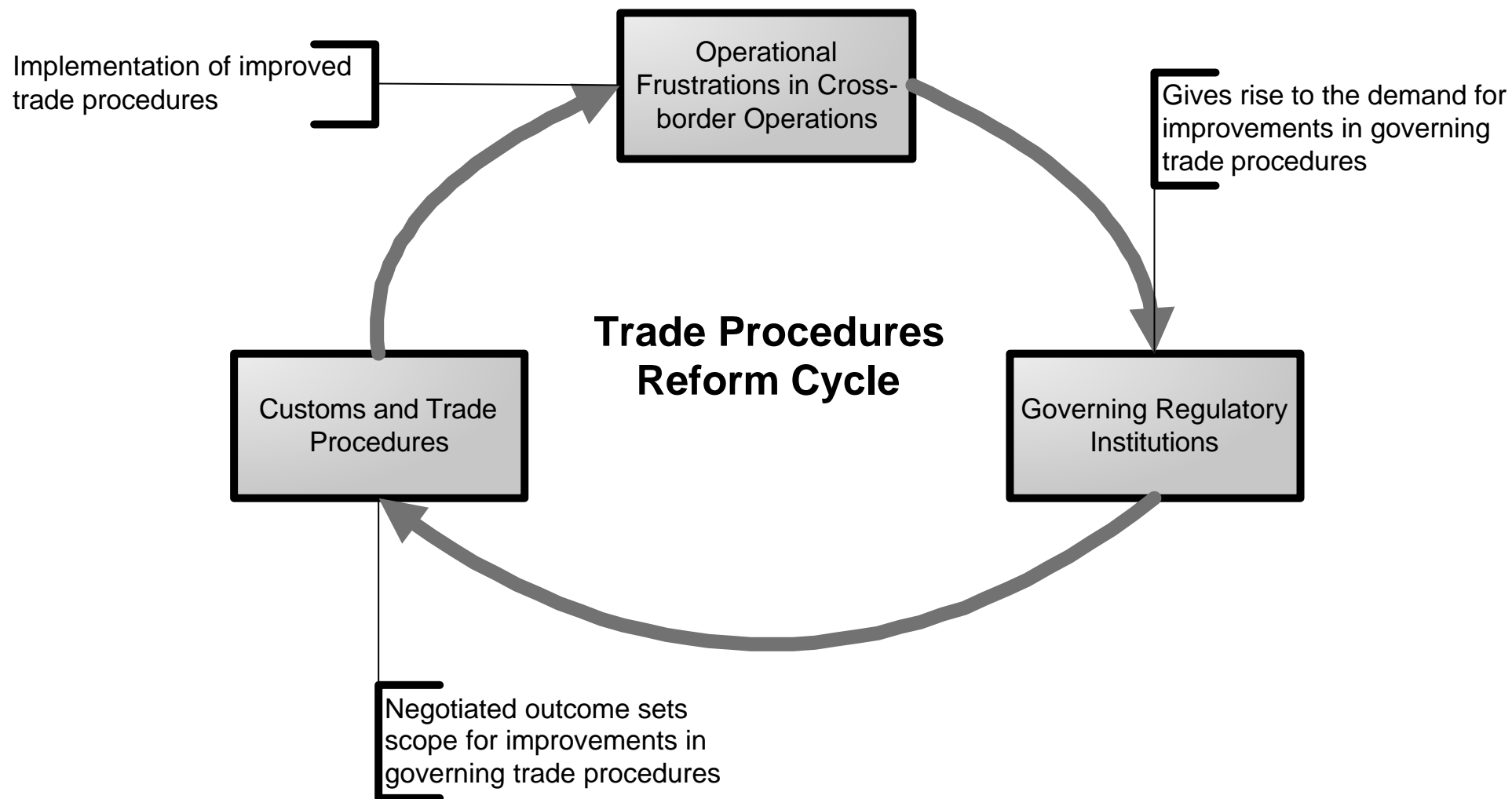
SCS: Adding to the Equation

- Many institutions are involved:
 - Goods
 - Transport and vehicles
 - People











- This cycle is slow
- Appears out of step with the fickle nature of day to day supply chain operations



Institutional Challenges

- Government Security Objectives
 - make efficient use of finite enforcement resources
 - enhance controls at the border
 - extend controls up and down the supply chain
 - ensure that trade continues
- Business Supply Chain Objectives
 - reducing costs
 - increasing value



Challenges (cont.)

- Environmental complexity and institutional overlap
- Government controls and their institutions appear out of step with the SCM practices
- Meaningful incentives by regulators to offset additional burden appear to be thin
- Challenge of realigning a complex arrangement of regulatory institutions to fit the needs of their stakeholders
- Includes the full cross-section of traders and their intermediaries



Challenges (cont.)

- Commercial arrangements in international trade operations can be complex, too
- Power amongst stakeholders in the cross-border environment is not equally distributed
- Business interests are not always aligned
- Quite often they are conflicting or opposing – especially where it gives rise to market positioning strategies



Challenges (cont.)

- Some types of business interests may be under-represented or not represented at all
- As regulatory institutions are overhauled, changed or amended (like through supply chain security regimes) the economics and actors change, too
- Trade facilitation principles can help align government and business interests



Points for Consideration

- Unexplored research areas include
 - the operational interface between business and government
 - the institutional and regulatory overlap in the control of goods
 - the development of a regulatory framework that is aligned to modern day supply chain management practices
 - the negotiation process between public and private sector actors in defining trade procedures
 - the interests of actors and the implementation of trade facilitation concepts
 - the human and organisational capabilities necessary to enable closer cooperation between business and government actors in supply chain security.



Discussion?