

“SECURE TRADE PARTNERSHIP”

**SPEECH BY TEO ENG CHEONG, DIRECTOR-GENERAL
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Ladies and Gentlemen

Singapore’s role in the international supply chain

Good afternoon. Many of the speakers today have touched on supply chain and its importance from the perspective of the company. I would like to look at this subject from the national and international perspectives.

Singapore is a global trade hub. Our total trade expanded by 13% in 2006 as compared to 2005 to reach \$810 billion (\$810, 483m), about 4 times of our GDP which reached close to \$210 billion in 2006 (\$209,990.90 at current market prices, \$46,832 per capita). Singapore occupied 1.8 % of total international trade in 2005 and was ranked 16th by the WTO’s Total Trade Ranking. Total trade in 2007 is also projected to grow between 8% and 10%.

[Source: Figures extracted from Dept of Stats and WTO website]

Singapore has the presence of some 3000 logistics and supply chain management companies operating here and is the world’s busiest port with the largest container port and CBU transshipment hub. We are also one of Asia’s largest cargo airports with 83 scheduled airlines and more than 4000

flights per week. More than half of the world's top 25 3PLs also have a substantial presence here. As an industry, the logistics sector accounts for more than 8% of our GDP and employs over 100, 000 workers. And the industry is set to grow steadily over the years.

[Source: Figures extracted from EDB and Economic Survey of Singapore compiled by MTI.]

These figures tell a consistent story. Singapore plays a key role in the global supply chain. We are a key node in the global movement of cargoes. Some of these cargoes transship through Singapore purely because we offer an excellent network of connectivity. Others have value added to the products when they are in Singapore. These may be financial, distribution or manufacturing in nature. The total value-add of the logistics sector stood at \$350mil in 2006. All these activities add to the vibrancy of our economy.

It is therefore important that Singapore is able to continue playing a key role in the international supply chain and continue to maintain its role as an international trade hub. The health of our economy is tied directly to how well we play this role.

Over the years, Singapore has built up the infrastructure, the connectivity, the people and the supporting capabilities to entrench ourselves as the key node in this part of the world. And we have been able to ensure that we stay one step ahead of our competition most of the time.

Security of the international supply chain

However, since September 11, the world has changed. Security of the international supply chain is now a major concern for many countries. First, there is a concern that terrorists may ship weapons through the global supply chain to their targets. Secondly, there is a concern that terrorists may attack the global supply chain directly to cause a major disruption. In particular, there is increasingly a fear of an attack by terrorists using unconventional means such as chemical, biological or radiological agents.

In a study done by the FBI, they have discovered that terrorists may now be looking at the possibility of using floating bombs to create disruptions at the world's major ports. It was reported in the news last week that Khalid Sheik Mohammed, the man who claimed responsibility for the 9/11 attacks was also plotting to attack US military vessels and oil tankers in Singapore (ST, 16 Mar 07). What if he had succeeded? US ports would most likely be closed, and international trade flow would be severely affected.

In a recent study done by Booz Allen Hamilton, it was found that a disruption caused by 30 days US ports closure could result in US\$159 billion in export loss over three years for 12 selected APEC economies¹, excluding the US. The study had found that the magnitude of economic impact would increase exponentially with the length of the disruption. The export loss to Singapore over a 3 year cumulative period (2007-2009) is estimated to be US\$13.7 billion in the event of a 30-day port closure. These

¹ The economies examined include: China, Hong Kong, Japan, Korea, Indonesia, Malaysia, New Zealand, Philippines, Singapore, Thailand, Viet Nam and Australia.

figures reveal the chilling reality of the magnitude of economic loss to APEC economies in the event of port closures. It is something which should not be taken lightly. As a global trade hub with our economic well-being tied so closely to trade, it is in our national interest to ensure that the global supply chain is secure and that cargoes that move through Singapore are secure.

We must recognize that total supply chain security can only be achieved if every player at every node of the supply chain, both locally as well as internationally, plays its part.

Internationally, there have been various efforts to encourage countries to take supply chain security seriously. Countries such as the United States, New Zealand, Australia and Canada for instance have developed and are in the midst of launching as well as implementing their supply security initiatives. Some of these programmes include the United State's C-TPAT, Sweden's Stairsec and New Zealand's Secure Exports Partnership Programme.

Secure Trade Partnership

Singapore also has to play its part in protecting our supply chains from exploitation and deviant activity. As such, we have embarked on a National Supply Chain Security Program called the Secure Trade Partnership or STP in short which will be launched in the middle of this year. I will now go into a little more details on the programme.

The objectives of the programme are to minimize disruptions in the flow of goods in the event of a terrorist attack, to encourage companies to play their part in securing their own supply chain processes, to create awareness of the importance of adopting a total supply chain approach to cargo security, and to raise the level of supply chain security standards among companies in Singapore, and to

The STP is a voluntary certification programme administered by Singapore Customs that encourages companies to adopt robust security practices and partner Singapore Customs to improve the security of the global supply chain. The STP guidelines provide companies with a framework to guide the development, implementation, monitoring and review of the company's supply chain security measures and enhance the security of their operations. The guidelines are consistent with the WCO SAFE Framework of Standards to Secure and Facilitate Global Trade.

As the national authority for the programme, Singapore Customs will be validating and certifying companies under the STP.

Approach & Principles

Singapore Customs recognizes that the international supply chains and business operating models are highly complex and constantly evolving. Multiple players are involved in the international supply chain and they play a significant role in both securing the movement of goods from point of origin to point of destination, and identifying and addressing risks or

vulnerabilities. Thus, we believe that a voluntary and partnership approach is crucial for the success of the STP programme.

Business operation models, sizes and risks vary across the different nodes in the supply chains and across different industries. The STP recognises the complexity of international supply chains and endorses the application and implementation of security measures using risk-based approach to secure the supply chains while facilitating trade flow. The STP allows for flexibility and customisation of security profiles based on companies' business models.

The STP is a programme that seeks to secure and facilitate trade. It calls upon industry and companies to enhance their existing security practices, and partner Singapore Customs to improve trade security. Certified companies under the STP would be viewed as trusted partners of Singapore Customs and would enjoy greater facilitation.

The STP is open to all supply chain stakeholders. Companies that voluntarily participate in the STP demonstrates a commitment to supply chain security and willingness to assure responsibility for keeping their supply chains secure through self-policing and implementing changes should the need arises.

Companies who wish to apply for STP certification would engage in a self-assessment process against the security measures and best practices to ensure that their internal policies, processes and procedures are robust. They would then submit an application to Singapore Customs, together with their security profile and supporting documents.

In order to obtain the certification, companies have to meet the requirements under 8 security elements. Namely;

- 1) Premises Security and Access Controls
- 2) Personnel Security
- 3) Business Partner Security
- 4) Cargo Security
- 5) Conveyance Security
- 6) Information and Information Technology (IT) Security
- 7) Incident Management/investigations
- 8) Crisis Management and Incident Recovery

Let me now explain a little more on each of these security elements. For premises security and access controls, applicants have to ensure that access controls and physical deterrents are put in place to prevent unauthorized access to the exterior and interior of companies' facilities. The system must include the positive identification of all employees and visitors at all points of entry. Some of the areas which we will be looking at are perimeter fencing, gates and gate houses, parking, lighting, locking devices and key controls and so on. (alarm systems, video surveillance, restricted areas, building structure.)

For personnel security, procedures must be in place to screen prospective employees and to periodically check current employees. This includes submission of pre-employment verification and conducting references checks. Background checks and investigations should be conducted for prospective employees as appropriate and to the extent allowed under national law. Procedures must also be put in place for the education and training of employees regarding security policies, recognition of deviations from those policies and understanding what actions must be taken in response to security lapses for example termination procedures must be put in place to expeditiously remove identification of the terminated employee and systems access.

For Business Partner Security, companies must work with business partners and obtain their commitment to voluntarily increase their security measures so as to bolster the security of the end-to-end supply chain. The term “business partners” refers to current and prospective suppliers, manufacturers, service providers, contractors and vendors where companies outsource or contract elements of their supply chains. For example, companies could screen their business partners where possible and include security provisions in their agreements or contracts and put in place procedures to review business partners’ adherence to security measures where possible.

For Cargo Security, procedures must be put in place to ensure that the integrity of cargo is maintained to protect against the introduction of unauthorized material and/or persons. This includes procedures to ensure that information in all documentation are complete and accurate, the receipt

and release of cargo are properly reconciled with relevant documents and proper signature and stamp requirements are in place for critical handover points. There should also be proper procedures for container inspection, seals, storage of cargo and sound inventory control.

For Conveyance Security, procedures must be in place to ensure that conveyances are capable of being effectively secured. For example, procedures should be put in place to ensure that potential places of concealment or illegal goods are regularly inspected, conveyances are closely tracked and monitored and operators of conveyances are properly trained to maintain security of cargo at all times. Conveyances should also be properly stored in a secure area to prevent unauthorized access and/or tampering.

For Information and IT security, procedures must be put in place to maintain confidentiality and integrity of data (both physical and electronic) and information systems used in the supply chain including protection against misuse and unauthorized alteration.

For Incident Management/Investigations, procedures must be in place to provide a coordinated, structured and comprehensive response to an incident or risk situation and identify root causes so that actions can be taken to prevent recurrence. This includes putting in place proper reporting mechanisms for all incidents as well as investigation and analysis to find out causes.

For Crisis Management and Incident Recovery, procedures must be in place to allow for advance planning and establishment of processes to operate under such extraordinary circumstances. This includes putting in place contingency plans which should be communicated to all employees as well as developing a business continuity plan to ensure that critical business functions can continue during and after a crisis or disaster affecting their companies or segments of their supply chains.

We recognize that enforcing security and ensuring trade facilitation requires careful balancing; therefore, our guidelines have been drafted through intensive consultation with industry players based on a partnership approach. It is not intended to replace or supersede a company's existing supply chain security systems or measures but more so to build upon industry best practices and partnerships to strengthen the global supply chain.

Benefits

Companies that have implemented robust security measures in accordance with the guidelines would naturally benefit from increased visibility of goods in the supply chain, and reduction in pilferage, etc.

In addition, companies certified under the STP would enjoy greater facilitation for being recognised as a trusted partner of Singapore Customs. Trusted partners are deemed to be lower risks and their goods are less likely to be subject to checks. Certified companies would also be assigned a point of contact within Singapore Customs to serve as liaison for validations, security issues, updates and communication.

And in the event of a terrorist incident, trade and economic impacts on a certified company would be reduced.

Singapore Customs are working with other government agencies such as EDB and SPRING Singapore on training assistance schemes and development programmes to help companies enhance their capabilities in supply chain security.

Singapore Customs are also working with other countries for mutual recognition of national programmes, so that certified status of STP companies may be recognised by overseas countries and provide for quicker release or reduced inspections of goods.

Official Launch

The programme will be officially launched in mid-2007 and I look forward to your participation.

Conclusion

To be a global trade hub, we not only need to be efficient, well-connected and adequately supported by various industries. We also need to be a secure and trusted trade hub. We need to be secure so that the various points of entry in Singapore are not easy targets for terrorists. We also need to be trusted so that cargoes from Singapore would be associated with lower risk and hence subject to fewer checks when entering into foreign ports. This can only be achieved if both government and businesses work together.

The security of the supply chain depends not only on physical precautions or the fight against terror, but also on the trust between countries, trust between businesses and the government and trust in one another. We all have a stake in the global supply chain and as long as we play our part, we will be able to ensure that global trade continues to flow swiftly and securely.