

APEC SYMPOSIUM ON TOTAL SUPPLY CHAIN SECURITY

SINGAPORE, 6-7 JULY 2006

**KEYNOTE SPEECH BY PROF S JAYAKUMAR, DEPUTY PRIME MINISTER,
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FOR LAW**

6 JULY 2006, 9.30am, MARINA MANDARIN HOTEL

Ambassador Tran, Executive Director, APEC,
Excellencies,
Distinguished speakers and guests,
Delegates,
Ladies and gentlemen

1 This symposium is another milestone for APEC. The idea of getting experts from all over the world to meet and share their experiences and best practices on supply chain security arose from the APEC Summit in Busan, Korea in Nov 05. The APEC leaders had then affirmed Prime Minister Lee Hsien Loong's call for APEC economies to pay greater attention to enhancing the security of the global supply chain. Singapore offered to organise, in collaboration with the APEC Secretariat, this symposium on total supply chain security.

The international economy and global trade today

2 In recent decades, the world economy has been growing significantly in tandem with world trade. In 2005, world trade grew by 6 percent. While this was lower than the impressive 9 percent in 2004, the expansion in both years was still faster than the average growth rates over the 1995-2005 period. Economists expect these trends to continue with further globalisation.

3 With globalisation, economies and businesses have not only become closely interconnected and interdependent, the production of many goods has also been transformed. Raw materials for many goods originating from multiple locations are brought to manufacturing facilities in other locations to be processed. The products are further assembled and repackaged in yet other locations, and the finished goods are then distributed all over the world. This entire process therefore involves multiple border crossings spanning many economies. As a result, the global supply chain has become indispensable for the proper functioning of most economies and companies.

4 This growing movement of goods through the global supply chain depends on the smooth functioning of a myriad of supply chain activities including manufacturing, warehousing and consolidation, ground transportation, shipping, distribution and retail. A large number of agencies from both the private and public sectors are involved.

Vulnerabilities

5 The long supply chains and interdependence that globalisation has created makes it vulnerable to disruption by external forces and events, the biggest threat of which is that posed by radical terrorist groups. As terrorism itself has globalised, we have witnessed a spate of horrific and sophisticated attacks in many parts of the world including Southeast Asia. Notwithstanding recent successes in counter-terrorism, the threat from international terrorism is real and will remain with us for the long-haul.

6 The disruption to international trade and business which can result from a major terrorist attack on our international economic system is a major cause of concern. We need to address it collectively. Whether we are public or private sector, we all have a stake in keeping this supply chain intact. If terrorists succeed in causing a major disruption to international trade, the consequences could potentially be devastating for many economies.

7 In a recent paper published by the US Congressional Budget Office, it was estimated that about US\$500 million worth of containerised imports flow daily into the ports of Los Angeles and Long Beach in 2004. The closure of those ports for one week could cost the US economy somewhere in the range of US\$65 million to US\$150 million per day.

8 Since September 11, 2001, many economies have taken active steps to enhance the security of key installations like airports and sea ports. Some have also embarked on commendable measures to raise the security level of their supply chains. To safeguard global trade and commerce, the security of the global supply chain as a whole needs to be enhanced. Collective attention must be paid to this complex task.

APEC

9 APEC has a clear interest in enhancing the security of the global supply chain. The stakes are high given that APEC's 21 member economies make up one third of the world's population, accounting for more than 40% of global trade and more than half of the world's GDP. Within the APEC community are major economic markets, key manufacturing economies and many key air and sea hubs. A major disruption to international trade and commerce within APEC would have serious repercussions regionally and globally.

10 I think APEC is moving in the right direction by first recognising the importance of enhancing the security of the global supply chain. This can be successfully done through close collaboration by all economies and through private-public partnerships. The list of expert speakers from many diverse institutions, and the many delegates present here today testify that many within APEC share the view that we have to work together on this important issue.

Singapore's approach towards supply chain security

11 Singapore is heavily dependent on international trade for its economic survival and growth. We share a similar outlook with APEC in wanting to facilitate trade and at the same time ensuring that global trade is secure.

12 First, we believe that supply chain security has to be approached on a holistic basis. The global supply chain is only as secure as its weakest link. Hence any programme to raise its security must address all parts of the chain and not just selected parts of it. Since 911, a number of international initiatives, such as the ISPS code and several cargo security initiatives, have emerged to strengthen parts of the supply chain. These are good individual programmes and Singapore is an active participant in all of them. However, they do not address the global supply chain security problem holistically.

13 Second, given that the supply chain spans across many different nodes with different players involved in each node, we believe that an efficient supply chain security programme has to be based on sharing out the security responsibilities across all nodes of the supply chain, and not to place the onus for security measures on only one or two nodes. Such a programme will enable the responsibilities to be spread in such a way that each player in the supply chain does the part that he is best placed to do, thus achieving greater cost effectiveness. Through this, all players in the supply chain would enjoy greater confidence and assurance of the security of goods being handled and passed from one node to the next. With collective responsibility, the overall benefits of a secure supply chain are shared, and economies can be assured that trade and movement of goods can continue to flow even in times of a security alert, if every player does its part.

14 Third, we believe that a supply chain security programme has to be able to contribute to the competitiveness of a company and create value for it that will outweigh the additional cost incurred. Major companies and industries in Singapore and around the world are already undertaking a number of supply chain security measures on their own accord to guard against pilferage, to ensure the security of their facilities and personnel, and to prevent contamination and other criminal acts. There is recognition that security measures within the supply chain serve customer needs and help keep insurance costs down. What is needed, however, is to extend this to an integrated programme and to adopt trade-enhancing supply chain security measures.

15 As companies today operate across many borders, they will come under multiple national jurisdictions and programmes. As such, the Singapore programme must be compatible with the programmes of our major trading partners and we will work towards mutual recognition of each others' programmes in order to give greater convenience to the companies involved.

Singapore's national supply chain security programme

16 I am pleased to announce the establishment of Singapore's own national supply chain security programme. This programme has been drawn up based on a risk and vulnerability assessment approach and incorporates inputs from both government and industry. It will be promulgated within the next few months for voluntary adoption by all companies based in Singapore involved in supply chain activities, and by Singapore companies with overseas operations.

17 Our national supply chain security programme spells out a set of security guidelines and goals which the players in each different nodes of the supply chain, such as suppliers, manufacturers, warehouse operators, transport companies, and terminal operators, should seek to achieve to enhance the security of their operations. The security guidelines in this programme include measures to enhance the security of physical assets, security of processes, personnel security and data security.

18 These guidelines are meant to help the various players in each node of the supply chain to identify and focus on any security gaps in their overall operations so that they can undertake the necessary security measures to plug the gaps. This would raise the level of security for their operations and provide their customers with the assurance that their operations are safe and reliable. Many major companies with global operations can attest to the many benefits and competitive advantages from adopting these measures. Some of these will be shared by expert speakers during this symposium.

19 The government will spend some months consulting with and raising the awareness of the importance of supply chain security and the benefits that come with it. We will conduct a series of educational seminars to help Singapore companies to understand the focus, thrusts and requirements of the national supply chain security programme. While the programme is on a voluntary basis, all companies are strongly encouraged to understand the issues involved and adopt at least some parts of the programme to enhance the security of their own operations. In the longer term, the government will continue to develop the programme further, assist companies which want to adopt the measures and look into providing incentives for companies which are certified under the programme.

International Efforts

20 Singapore is also keen to contribute towards international efforts to enhance the security of the global supply chain, and APEC is a priority platform for us. Singapore therefore will engage the APEC economies to explore new ideas in promoting the security of the global supply chain.

21 We are also keen to work with entities such as the WCO and the ISO on the development of supply chain security standards and issues. Through greater international collaboration, we believe that all stakeholders can collectively help develop a secure trading environment that can minimise the threat from international terrorism against disruption to global trade and commerce via a secure global supply chain.

22 The presence of the large audience here today reflects the high level of interest in enhancing the security of the global supply chain. With many experts sharing their knowledge, views and experiences on the necessity and benefits of enhancing the security of the global supply chain, I am confident that this symposium will meet its objectives of raising awareness and sharing best practices on this complex but important issue of supply chain security.

23 I wish you all a fruitful symposium and an enjoyable stay in Singapore. Thank you.