

**(a) Activities undertaken by UNCTAD**

Following the events of 11 September 2001, safety and security considerations have been high on the international agenda. The need to enhance transport security worldwide has been recognized at all levels and has led to the introduction of a wide variety of transport and supply-chain security measures and initiatives. A layered approach to security has emerged with initiatives being taken unilaterally as well as at a multilateral level. Internationally, relevant measures included the adoption, in December 2002, of the *International Ship and Port Facility Security Code (ISPS Code)*, under the auspices of the International Maritime Organization (IMO). The ISPS Code, which came into force on 1 July 2004, introduces wide-ranging obligations for governments, shipping companies and ports. Another set of international regulatory measures to help secure global supply chains is the *Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework)*, adopted in June 2005 under the auspices of the World Customs Organization (WCO). A key concept associated with the *SAFE Framework* is that of certified Authorized Economic Operators (AEOs) who comply with certain minimum standards and may benefit from simplified and rapid customs procedures. In addition, a number of measures to enhance maritime and supply-chain security have been taken by individual countries or groupings of countries, including important trading blocs, such as the United States and the European Union.

While enhanced transport and supply-chain security is a legitimate and universally shared objective, the scope and operation of the various measures need to be properly understood and their potential implications, especially for the trade and transport of developing countries, assessed. Against this background, the UNCTAD secretariat was mandated by its membership<sup>1</sup> to "follow current and emerging developments on security arrangements, analyse their implications for developing countries, and facilitate the exchange of views and experiences among interested parties in order to help build an environment that is facilitative of international trade and that is secure".

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<sup>1</sup> See *São Paulo Consensus*, TD/410, paras 59, 41, 47. See also reports of the Commission on Enterprise, Business Facilitation and Development, TD/B/COM.3/64, TD/B/COM.3/70, TD/B/COM.3/76 and TD/B/COM.3/82

In response to this mandate, UNCTAD monitors and regularly disseminates relevant information on transport-security related initiatives, in particular through recurring publications, such as its annual *Review of Maritime Transport* and *Quarterly Transport Newsletter*<sup>2</sup>, as well as through seminars and lectures. UNCTAD also contributes, as appropriate, to some of the work on transport security carried out under the auspices of intergovernmental organizations, such as the UNECE Multidisciplinary Group of Experts on Inland Transport Security.

Two substantive analytical reports on maritime security have been prepared by the UNCTAD secretariat. The first of these reports, "*Container Security: Major Initiatives and Related International Developments*" (UNCTAD/SDTE/TLB/2004/1), published in 2004<sup>3</sup>, provides a clear overview of the main maritime container security measures and related developments, and offers a preliminary analysis of the potential impacts of the new security environment on the trade and transport of developing countries. It concludes by drawing attention to potential areas of concern, particularly for developing countries, which it puts into four broad categories: (a) costs and expenses, both direct and indirect; (b) delays and disruption of legitimate trade; (c) difficulties in the implementation of diverse and detailed requirements, due to lack of capacity and know-how; and (d) competitive imbalances and marginalization resulting from the foregoing.

The second report, published in 2007<sup>4</sup> and entitled "*ISPS Code: Implementation, Costs and Related Financing*" (UNCTAD/SDTE/TLB/2007/1), relates the results of a wide-ranging government and industry survey, designed to gain insight into ISPS Code-related costs, indirect effects and financing mechanisms. The results of the survey help shed light on the much-debated issue of the cost implications of the new IMO maritime security regime and on differing approaches to cost recovery, financing and other impacts of the ISPS Code. It is the first report to provide data on the actual range and order of magnitude of costs associated with implementation and compliance with the new ISPS Code in port facilities. Based on the results of the study, estimated global port-related costs range between approximately US\$ 1.1 billion and US\$ 2.3 billion initially, and approximately US\$ 0.4 billion and US\$ 0.9 billion

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<sup>2</sup> Available at [www.unctad.org/ttl](http://www.unctad.org/ttl).

<sup>3</sup> Available at [www.unctad.org/ttl/legal](http://www.unctad.org/ttl/legal).

<sup>4</sup> Available at [www.unctad.org/ttl/legal](http://www.unctad.org/ttl/legal).

annually thereafter. The study revealed significant variations in the costs of implementing and complying with the ISPS Code among ports, especially between larger and smaller respondent ports, with relative initial and annually recurring costs being substantially higher for the latter. Various approaches to ports' and governments' financing mechanisms were also identified. The results of the survey suggest that respondent ports and governments have an overall positive impression of the new maritime security regime and its impact. However, cost levels and differentials, as well as diverging financing approaches, together with calls for assistance by some respondent ports and governments, highlight the need for partnership and cooperation activities at all levels, including in respect of exchange of information, capacity-building, technical assistance and financial support.

**(b) Matters requiring further consideration at intergovernmental and interagency level**

The impact of maritime and supply-chain security measures on developing countries' trade needs to be carefully assessed. Issues suggested for further consideration include the following:

The layered approach to maritime and transport security and the increasing number of measures in place or under way underscore the need for continuous monitoring of relevant developments and consideration of their potential implications. Close international cooperation is needed to ensure a considered, coordinated and coherent approach to both the development and implementation of any new security measures. Care should be taken to avoid disproportionate technical arrangements that might pose particular challenges for developing countries. New security measures should be balanced in relation to the objectives they pursue, their costs, and their impact on world trade, including in terms of distortions of trading patterns. Existing measures should be reassessed periodically, as appropriate.

Potential issues of concern, particularly from the perspective of developing countries, include the question of capacity-building (financial, institutional and technical) to help meet the various requirements arising from existing multilateral and unilateral security measures, and to ensure that developing countries and small and medium-sized enterprises (SMEs) do not find themselves at an undue competitive disadvantage in participating in international trade. In this context, special attention should also be paid to the implications of such measures as

those requiring full inspection of containerized trade, which are increasingly emerging or are under consideration.

Another area that calls for further attention is the impact of trade privileges and economic benefits awarded to selected authorized and certified entities. This is particularly relevant in the context of the WCO *SAFE Framework*, which provides an economic advantage to certified "Authorized Economic Operators" considered reliable and secure. Although the *SAFE Framework* envisages a mechanism to ensure global mutual recognition of AEOs, progress on this issue remains a major challenge and will be critical in the longer term, particularly from the perspective of developing countries.

In the interests of a regulatory environment that is both facilitative of international trade and enhances the security of global supply chains, it will be important to ensure that any measures introduced at a multilateral or unilateral level can be effectively adhered to, with limited disruption to legitimate trade and at a reasonable cost.

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