

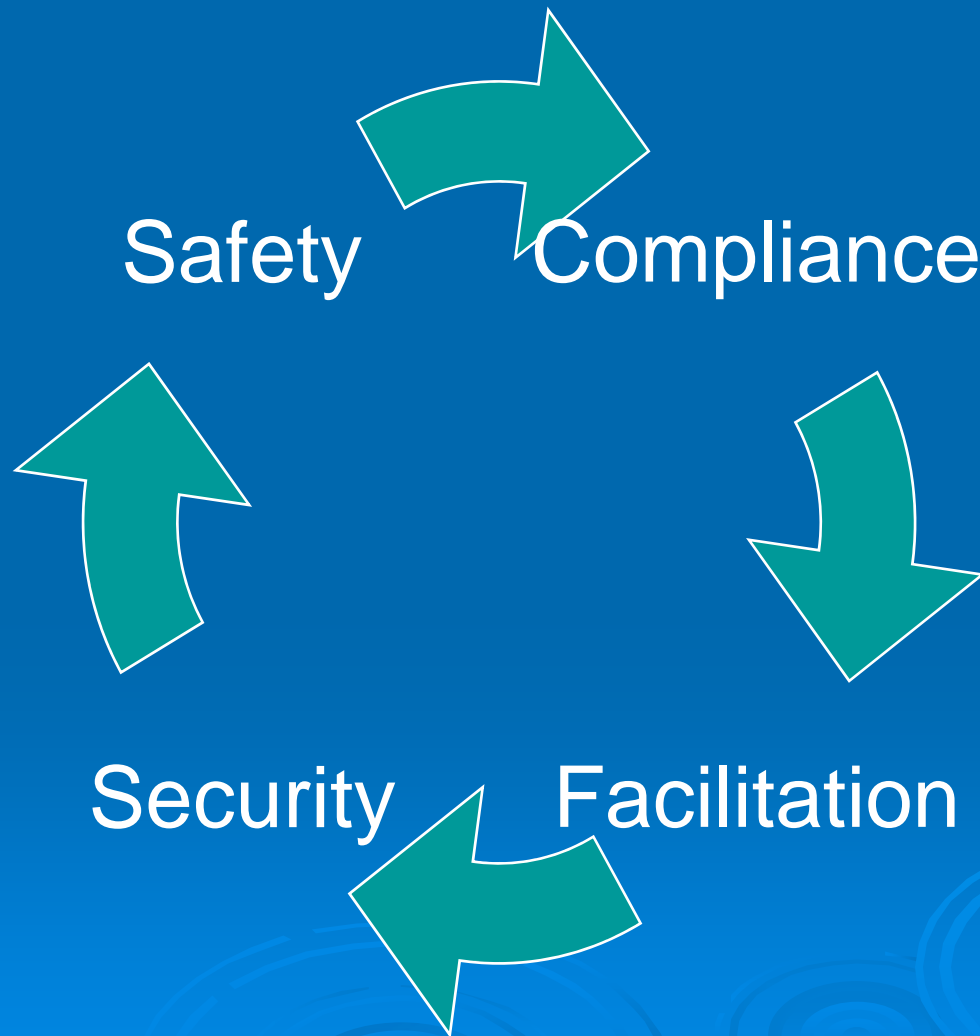


“The Big Squeeze”

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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**

Feeding the Security Monster

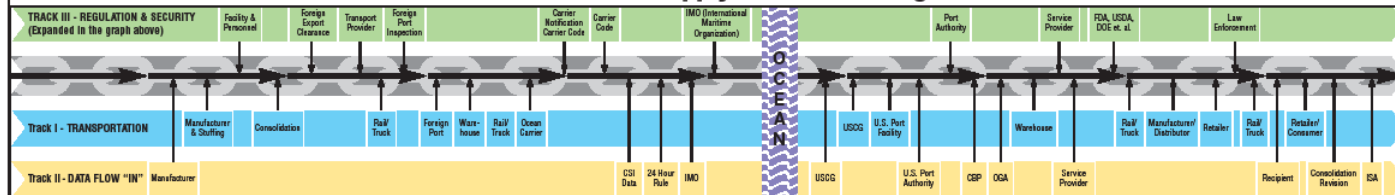


The American Trader's Guide to Post 9/11 and Homeland Security Programs

Current as of Fall 2007

UNITED STATES SECURITY PROGRAMS (POST 9/11)	A. PROGRAM DESCRIPTION											B. COMPLIANCE IMPACT*						C. RESOURCE EXPENDITURES*																				
	Responsible Government Entity	Trade Participants		Prerequisite/Dependencies	Mandatory	Multiple of Transport (Multi-Trip Expansion)	Delayed Security Plan Required for Program	Specific Security Equipment Requirements	Advanced Information Point of (for program or per shipment)	Screening/Inspection Date/Logistics	Background Checks Required	Physical Cargo Exam (Items not for Program)	Cargo Sealing at Origin	Agency Specific Minimum Security Requirements	Delay/Supply Chain (<24 hour)	If Delay, < 1 Day, of shipments?	Delay/Supply Chain (<24-48 hours)	Enhanced Delay/Supply Chain (48 hours delay)	Alter Delay/Supply Chain (2-7 days)	Production System Alterations (e.g. 401)	Production System Alterations (e.g. 401)	Increased Inventory	Mish. Discrimination	Previously Unlabeled Item Released	Reassignment of Assets/Resources	Addition of External Resources	Added Manpower Hours (2%)	Added Manpower Hours (2%)	Cost Increase (<1%)	Cost Increase (>1%)	Significant Financial Investment (>2% manufacturing cost?)	Significant Financial Investment (One Time, <2% cost?)	Significant Financial Investment (Multi-year)	Time (<2% of transport time?)	Time (>2% of transport time?)			
		U.S. Exporters	Other																																			
*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.																																						
I. DEPARTMENT OF HOMELAND SECURITY																																						
Advanced Trade Data Release (ATA-PLDT)	DHS/ICEP	Exporters	Importers			All																																
C-TPAT	DHS/ICEP	18D	Importers/Carriers/Shipper/Ports			All																																
Maritime Transportation Security Act (MTSA)	DHS/Coast Guard		Ports/Carriers			Ships																																
Electronic Manifests (EMAN)	DHS/ICEP/DOIT		Carriers/Importers	AGS/ACC/BNA		Trucks (AM)																																
Truck and Ocean Truck (OTOT)	DHS/ICEP/SSA		Carriers	C-TPAT/AGS/C		Trucks (AM)																																
Container Security Initiative (CSI)	DHS/ICEP/DOE	18D	Carriers/Importers	CSIS/CP/AMTA		Ships																																
Known Shipper Program	DHS/ISAFAM	Exporters	All Carriers	FAB		All																																
Secure Flight Initiative	DHS/ICEP/DOE	Exporters	Ports/Carriers/Importers	CS/PL/DOE		Ocean (AM)																																
100% Screening	DHS/ICEP	18D	Importers/Exporters/Carriers/Ports	CS/SR		Ocean (AM)																																
II. OTHER GOVERNMENT AGENCIES																																						
Crucial Border Truck Safety Inspection Program (CBTIP)	DOT/SAFAM		Importers/Truck Carriers			Trucks																																
Highlander/Redder/Regulations	DOT/SAFAM	Exporters	Carriers			All																																
Information Act Pilot	DOE/ICEP		Importers/Exporters			All																																
III. INTERNATIONAL/MULTILATERAL																																						
Safe Framework of Standards to Secure and Facilitate Global Trade	WCO (National)	Exporters	All	C-TPAT/AGS/C		All																																
International Sky & Port Facility Security Code International (ISPS)	International	Exporters	Ocean/Carriers/Ports			Ships																																
Authorized Economic Operator	EU/NAFTA et al.	Exporters	All	C-TPAT		All																																
IV. PRIVATE SECTOR																																						
1800 Frequency Identification Service (FICS)		Exporters	Importers/Carriers			Ocean/Trucks (AM)																																
1800 Truck Validation (1800V)	OSP		Aggs			All																																
International Standards Organization (ISO/PAS 28001)		Exporters	All			All																																
V. EMERGING AND POTENTIAL																																						
Container Standards and Procedures	DHS	18D	Importers/Carriers			Ocean (AM)																																
Indirect Air Carrier Standard Security Program (IACSSP)				NOT PUBLICLY DISCLOSED																																		
Gate Security Pilot (GSP) - Proposed in Regulation	DHS/ICEP	18D	Importers/Exporters/Shipper/Carriers/Ports			All																																
Transportation Worker Identification Credential (TWIC) (Proposed in Regulation)	DHS/Coast Guard/SSA/DOE	Exporters	Trucks/Importers/Ports			Ocean/Trucks																																
Global Trade Data Exchange (GTDX)	DHS/ICEP/DOE	Exporters	All	AGS/ICEP/DOE		All																																
VI. COMPLIANCE WITH SECURITY IMPACT																																						
Physical Assessment Control Procedures and Enforcement	DHS/ICEP	Exporters	Importers			All																																
Container Security Check Program (CSC)	DHS/ICEP	Exporters	Importers			All																																
Advanced Export System (AES)	DHS/ICEP/DOE	Exporters	Importers			All																																
Advanced Tracking System (Advanced Security Tagging System) (ATSS/ASST)	DHS/ICEP	Exporters	Importers			All																																

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



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?
 - How will “track and trace” requirements be handled?

➤ 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
 - Importers paying 100% of the bill for security and safety inspection regime
 - 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?