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PORT SECURITY: TRADE AND SAFE TRANSPORTATION IN THE HEMISPHERE

A CHALLENGE FOR THE HEMISPHERE

(Presentation by Ambassador Jon Glassman,
Director of Government Policy, Northrop Grumman Corporation)

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It is a pleasure and honor to address the Inter-American Committee against Terrorism on the issue of port security. The fact that this is one of the three priority areas for this CICTE meeting is a testimony of the commitment of the nations of the Hemisphere to maintain a secure and open global maritime trading regime.

The subject we are addressing today frequently is dealt with in the United States from the narrow perspective of measures needed to protect this country from weapons of mass destruction and radiological weapons (so-called "dirty bombs"—conventional explosives surrounded by radioactive material).

While such a threat indeed is of real concern and terrifying consequence for the United States, there exists a parallel issue that is of equal world significance—the need to prevent actions that might block the ability of other countries to export and import products vital to their national well-being and growth.

Maritime Vulnerability of Latin America and the Caribbean

There were days when particularly large countries were able to generate wealth almost exclusively by reliance on their internal market. I recall that, when I attended university in the mid-1960's, total US exports and imports were equivalent only to 4% of United States' GDP.

Today, forty years later, the percentage for the United States is more than six times greater (26% of GDP). The ratio of foreign trade to GDP for some states that are heavily involved in commodity exports and finished product imports, or in transformational manufacturing (that is, importation of components that are assembled into systems which are then re-exported), can often exceed GDP many times. The classic case is Singapore where the ratio of foreign trade to GDP is 454 percent.

Here in the Americas, there are many states that are highly dependent on foreign trade to sustain their economies. It is worthwhile to note the range of foreign trade-to-GDP ratios (a measure of the relative importance of external commerce) in a few selected countries: Brazil 26 percent (same as US), Peru 44%, Ecuador 62%, Mexico 63%, Chile 73 %, Dominican Republic 81%, Honduras 102%, Jamaica 105%, Panama 136%.

From these figures, it is fair to conclude that the Americas have a very substantial existential need—in some cases significantly greater than the United States--to prevent any obstruction of foreign trade.

While some of this foreign commerce moves by road and air, sea transport is the overwhelming means of delivery and receipt—about 66% by volume on a world scale and more in this Hemisphere.

And, while precise figures vary, there is no argument that, in Latin America and the Caribbean, exports and imports delivered by ship nearly doubled between 1995 and today. Indeed, about 18% of world exports transported by sea are now generated by the countries south of the United States.

Clearly, if maritime commerce is one key to Hemispheric prosperity, it is important to improve the seaports and supporting physical and policy infrastructure that make this commerce possible. Inter-American Development Bank President Luis Alberto Moreno notes, however, that Latin American and Caribbean investment in infrastructure is severely lacking—amounting to just 2% of GDP as against China's 9%. New substantial investments in infrastructure are an absolute necessity if dramatic economic growth in Latin America and the Caribbean is to continue.

Infrastructure improvement is needed particularly in the maritime transport sector in order to remove already existing bottlenecks and to support the expected 6-7% annual growth of Hemispheric maritime exports and imports.

But the issue goes beyond increasing capacity and efficiency—these performance gains will not take place if domestic or outside actors or actions can shut down or disrupt Latin American and Caribbean ports. Performance-enhancing investments will only be sufficient if they contribute also to ensuring security, reliability, and integrity of seaport operations.

The reason for this is clear—unlike air or road networks, the very limited number of major seaports in a given country makes re-routing of exports and imports a very difficult proposition. In even a very large and rich country like the United States, there are only 361 major seaports. Looking at the CIA World Factbook listing of major world seaports, it lists (possibly incompletely), for example, only 7 each for Argentina, Brazil and Mexico, 4 for Ecuador and Venezuela, 3 for Peru and Panama, 2 for Guatemala.

Again, thinking back to the equal or far higher dependency of Latin American and Caribbean states on foreign trade as compared to the United States, the radically smaller number of major ports in the region than in the US makes Hemispheric economies immensely more vulnerable to disruption or external blocking.

RAND Corporation analysts have estimated that a catastrophic attack on the US Port of Los Angeles/Long Beach, followed by a one-year reconstruction period, could produce direct and indirect losses to the US economy of $45 billion. While an extremely large figure, if compared to the US GDP of $11.7 trillion dollars, such an event cannot be said to devastate the economy. In the case of a Latin American or Caribbean country, however, a closing down of one or several ports for physical or policy reasons could be extremely debilitating, particularly in the case of countries having a very high foreign trade dependency.

Direct Damage and Dangerous Secondary Consequences

In what ways are Latin American and Caribbean ports vulnerable?

Professor Stephen S. Cohen of the University of California makes the useful distinction between two classes of terrorist threat: (a) severe direct damage of a catastrophic nature and (b) terror—an attack that precipitates reactions that are greatly more damaging than the initial terrorist action.

With regard to the former, Latin American and Caribbean ports could become involved as way stations for transit of a ship carrying a catastrophic nuclear, chemical or radiological weapon to the United States or to the Panama Canal (given its current and expanding importance to US and Asian economies). Should a catastrophic or serious attack in the US occur, a blowback in terms of at least a temporary shutdown of shipments from a transit port of origin or all regional or even all world ports would certainly occur (as happened even after the non-maritime 9/11 events).

Notwithstanding the unlikelihood that a scarce weapon of mass destruction would be detonated in a Latin/Caribbean port (other than the Panama Canal), the need to avoid perceptions of negligence of global and US security strongly counsel Hemispheric port operators to cooperate in US risk-based surveillance efforts against catastrophic weapons and other serious dangers.

What would be problematical for world ports—even before any attack--would be a US move to discriminate among ports of embarkation based on their investment or lack thereof in surveillance technology, or imposition of a US requirement that 100% of embarking containers needed to be scanned/imaged. This could pose both competitive and operational problems for Hemispheric ports and shippers, particularly those involved in food, raw material or manufacturing activity requiring prompt, “just-in-time” delivery.

Full cooperation, therefore, in current US risk-analytic data collection (including the future Global Trade Exchange—GTX experiment) and in US Container Security Initiative risk-based scanning is certainly highly counseled as a means to mitigate domestic US pressure for more extreme overseas surveillance requirements.

Beyond scenarios related to catastrophic weapons, Hemispheric ports face other direct threats. Looking to past analogies, we know that Middle East terrorists have reached far afield to strike at vulnerable Israeli or US targets--for example, the mid-90’s attacks on the Israeli Embassy and Jewish community center in Buenos Aires. NATO participation in Afghanistan has expanded the terrorist threat circle to include European targets, witness the Madrid and London bombings. Given the frequent presence of European, Israeli, and US-owned cargo and cruise line vessels in Latin/Caribbean ports, these ports may not be exempt as potential targets.

While damage from a single attack directed against foreign interests not involving catastrophic weapons might be manageable, the prospect of continuing or multiple terrorist strikes on regional ports could create significant operational disruption. Additionally, a sense of Latin/Caribbean port vulnerability to foreign terrorists could generate increased overseas surveillance pressure from the US receiving end.

Another realistic concern for Latin/Caribbean countries beyond foreign terrorist attack against third parties might be domestic or foreign efforts aimed at achieving logistic network disruption, for example, the destruction of critical physical or information technology/communications nodes providing access to, or enabling and controlling operations of, a port complex.

An analogy of this in a non-port environment was the recent Mexican terrorist strike against gas distribution network nodes. Damage from multiple explosions mounted to several hundred million dollars and generated several-month-long “cascade effects” shutting down the petrochemical and steel industries. Again, in a port disruption context, there could also be downstream effects if receiving countries perceived systemic security vulnerability on the sending state side.

Even more subtle threats could come from manipulation of the content of shipments, particularly those related to food or pharmaceutical safety. The alleged poisoning of Chilean grape shipments in the early '90's serves as an example of how such action could cause a US, Asian or European shutdown of Latin/Caribbean exports.

Beyond terrorism is the disruptive effect of criminal behavior. In the US and foreign ports and their environs, large-scale criminal activities occur including drug trafficking, contraband, alien smuggling, and cargo theft. To the extent these same activities occur in Latin/Caribbean ports, they not only cut into profits of producers, shippers and ports but also present openings for terrorist penetration.

Creating a Secure Port Environment

To cope with the multiple risks outlined above, various objectives need to be pursued:

1. Preventing Catastrophic Damage to Third Parties—Latin American/Caribbean governments should participate in cooperative efforts with the US and other governments to share advance data and risk assessments on arriving cargo. This should be pushed toward a Hemispheric agreement making it possible for participants in the land and sea cargo chain-of-delivery to share data and move and track cargo in a more standardized and predictable way—using agreed operational and security procedures, transaction and exchange rules, and open technical standards. Additionally, selected Latin American/Caribbean ports should acquire X-ray/gamma ray imaging and radiation detection portals facilitating examination of high-risk cargo.

2. Denying Foreign Terrorist Intrusion—Beyond terrorist intelligence watch list/travel data collaboration, Latin American/Caribbean governments would be well-served by expanding their maritime, coastal, and harbor surveillance and port perimeter and interior physical barriers and entry/exit control. This can include on both the sea and land sides the addition of ground, sea and air-based radar, video, vessel identification (AIS), and acoustic surveillance and the acquisition of means to manage tracks, merge and fuse sensor data, and drill down for additional database information and intelligence sharing. This must be done in a coherent way that links and combines multiple sensors, databases and information visualization tools, provides decision aids to identify threats, and an operations center and command/control mechanism enabling interdiction and response.

3. Dealing with the Domestic Dimension—To ensure trustworthy access to port facilities, to cargo in packing, land transit and loading phases, and to vessels, as well as to cargo- and port-relevant information technology systems and databases, it is highly desirable to develop a biometrically-based identification management system. Receipt of credentials affording various levels/locations of access would depend on background investigation. A common credential would desirably be used by all companies, workers, and security agencies involved in the maritime cargo process. Additionally, rules providing improved end-to-end security should be established providing obligatory procedures for container stuffing, cargo tracking, and documentary/electronic exchanges prior to entry into the port complex.

These recommended measures, taken as a whole, constitute a layered defense. They will enhance secure, orderly cargo throughput and help erase the vulnerability-generated invitations to terrorist attack and criminal theft. While they are neither simple nor inexpensive, they are the best

guarantee that terrorists and disruptive elements will not see Latin/Caribbean ports as “soft targets”. If this purpose can be accomplished, and Hemispheric maritime trade can continue its dynamic growth, the price should be considered as necessary and affordable—particularly if financing can be accomplished as part of infrastructure improvements necessary in any event. Thank you for your attention.

http://scm.oas.org/pdfs/2008/CICTE00344E.ppt