



# UNISCI Discussion Papers

## APEC'S RESPONSE TO TERRORISM

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### 1. Introduction

Last month APEC Secretariat's new building in Singapore was jointly opened by Prime Ministers Goh Chok Tong of Singapore and Thaksin Shinawatra of Thailand. At a seminar to mark the event the architect of APEC's creation, former Australian Prime Minister, the Hon R J L Hawke, commented that international terrorism had made the world a far more dangerous place than when APEC was formed 15 years ago.

Terrorism not only ruins lives and destroys property, but also undermines market confidence and reduces economic activity, especially in the travel and tourism industries.

Therefore, failure to act has severe repercussions and puts APEC's economies at risk. For example, the economic cost of a terrorist attack on US ports could be up to \$58 billion for the US and could reduce nominal GDP in Hong Kong, Singapore and Malaysia by 1.1 per cent. In the case of Indonesia, the Bali bombings resulted in a fall of about half a percentage point in its GDP growth but its major impact was on small and medium sized enterprises and the tourist industry.

Tourism is particularly affected by increased terrorism risks. In 2001, international tourist arrivals fell by 0.6 per cent. Following the Bali tragedy, as of May 2003, overall Indonesia's tourist arrivals fell by 38% and by 58% for Bali alone.

The threat of terrorism also reduces investment and lowers economic growth. Increased risk perceptions undermine investor confidence and reduce trade. Higher risk premiums increase the required rates of return on investments, thereby discouraging investment and retarding economic growth. The currencies of economies with high risk premiums may also experience higher exchange rate volatility.

Mr Hawke went onto say, while "there is no single answer to the unprecedented challenge of global terrorism we can say with certainty that one element of meeting that challenge is for the developed world to give the countries of the under-developed world and the developing world the best possible chance to develop their economies and lift the standard of living of their people, so many hundreds of millions of whom are living in conditions of poverty". APEC's objectives of liberalization and the facilitation of trade seek to meet this challenge by providing economies in the Asia-Pacific region the opportunity to take advantage of a relatively open and non-discriminatory trading system.

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<sup>1</sup> Las opiniones expresadas en estos artículos son propias de sus autores. Estos artículos no reflejan necesariamente la opinión de UNISCI. The views expressed in these articles are those of the authors. These articles do not necessarily reflect the views of UNISCI



Today's APEC Economic Leaders consider terrorism to be one of the most destructive threats to its goals of free trade and investment. Responding to the tragic event in New York on 11 September 2001, on 21 October 2001 APEC Leaders issued a Statement on Fighting Terrorism. In that statement APEC Leaders committed to "*prevent and suppress all forms of terrorist acts in the future in accordance with the Charter of the United Nations and other international law, pledged to implement the UN Security Council Resolutions 1368 and 1373 faithfully and immediately, strongly supported all efforts to strengthen the international anti-terrorism regime, called for increased cooperation to bring the perpetrators to justice, and also called for the early signing and ratification of all basic universal anti-terrorist conventions including the International Convention for the Suppression of the Financing of Terrorism.*" Further, Leaders pledged to cooperate fully to ensure that international terrorism does not disrupt economies and markets, through close communication and cooperation among economic policy and financial authorities.

This commitment was reinforced October 2002, following the terrorist bombing in Bali and terrorist attacks in other APEC economies when APEC Leaders issued their *Statement on Fighting Terrorism and Promoting Growth*. This Statement committed member economies to a comprehensive package of measures to combat terrorism and to a specific timetable for their adoption. These included: securing cargoes; protecting ships and aircraft engaged in international voyages; protecting people in transit; halting the financing of terrorism, enhancing cyber security, securing energy supplies and protecting the health of our communities.

To implement the APEC Leaders' *Statement on Fighting Terrorism and Promoting Growth*, APEC Senior Officials agreed in February 2003 to establish a Counter Terrorism Task Force (CTTF) and a Counter Terrorism Action Plan. The Task Force was given a two year mandate to coordinate counter terrorism activities and programs in APEC. Following the Task Force's first meeting in May 2003 its 2003 Work Program was endorsed by Senior Officials.

The priority accorded to the fight against terrorism around the globe has resulted in the development of a range of regional and international institutions to address this issue, each with its own focus. In establishing the APEC Counter Terrorism Task Force there was early recognition that a core part of its work plan would be to cooperate with international and regional organisations to share best practices and ideas and work to identify and monitor measures necessary to implement the APEC Leaders' Statement on Fighting Terrorism and Promoting Growth.

The CTTF's focus on assisting economies to assess their counter-terrorism needs against various APEC commitments, and its awareness of the extent of those needs also led it to include as a component in its work plan consultation with international financial institutions on the possibility of their assistance and/or collaboration for APEC member capacity building.

The Second Meeting of the CTTF, held in Phuket, Thailand in August 2003, included discussions with invited international and regional Financial Institutions (IMF, WB and ADB) and the invited international and regional organizations (ASEAN, UN CTC, G-8 CTAG). APEC has accepted an offer from the G-8's CTAG to devote its second session, tentatively scheduled for late October, to capacity building in the APEC region and agreed to a suggestion from the UNSC CTC to include relevant Counter Terrorism Action Plans on its Matrix of Requests for Assistance and Responses.

APEC is also seeking to work with the private sector to contribute to efforts to build counter-terrorism capacity. APEC members have appreciated the cooperation from the ADB



and the IMF to fight money-laundering activities. But more needs to be done, in particular in the area of maritime and airline transport security, so as to secure the movement of goods and people within the APEC region.

As part of APEC's response to terrorism a reporting template for the APEC Counter-Terrorism Action Plan (CTAP) was agreed at SOM I. The Action Plan provides a checklist of counter-terrorism measures undertaken by economies', as well as recognizing that capacity building and the assessment of needs are essential to its successful implementation. The CTAPs also encourage all APEC members to both identify their capacity building needs and outline what expertise they can offer other APEC members in the area of capacity building. All 21 APEC member economies have now completed their CTAP. Copies of the CTAP have been shared with the UNSC CTC, the G-8's CTAG and several International Financial Institutions.

Japan has also compiled an overview of capacity building work being undertaken in the APEC region. Both the CTAPs and Japan's paper will serve as a valuable resource for a more extensive, regionally-based, thematic analysis of APEC counter-terrorism capacity building needs and opportunities to be undertaken in 2004. This analysis will seek linkages between the various CTAP objectives and revealed regional needs to promote effective regional and multi-disciplinary/multi-agency approaches and assist APEC economies better achieve the stated objectives in the CTAPs.

## **2. Specific measures taken by APEC**

APEC's programs are designed to strengthen security against the terrorist threat while simultaneously boosting trade efficiency. An important aspect has been to ensure that increased security measures add efficiency to trading and travelling across borders. However APEC's limited resources can only fund small scale or pilot projects such as strengthening institutional capacity or undertaking feasibility studies.

APEC Transportation Ministers have agreed to support the actions and initiatives undertaken by ICAO and IMO in aviation and maritime security.

In September 2002, APEC Finance Ministers agreed on an Action Plan to halt the Financing of Terrorism. Each of the relevant members of APEC has signed and ratified – or is proceeding to ratify immediately – the International Convention for the Suppression of the Financing of Terrorism, taking steps to better monitor alternative remittance systems (Hawala) and the establishment of Financial Intelligence Units.

Telecommunications and Information Industry Ministers have agreed to secure information and communications infrastructures. APEC members have agreed to implement domestically the 10 measures included in General Assembly resolution 55/63 on combating the criminal misuse of information to give special priority to and facilitate work within APEC on the protection of information and communications infrastructures. The capacity of institutions to implement these measures is being strengthened by the Cybercrime Legislation and Enforcement Capacity Building Project and the Computer Emergency Response Team Awareness Raising and Capacity Building project.

In October 2002, APEC Leaders agreed to implement the Secure Trade in the APEC Region Initiative (STAR). STAR is a series of measures that will protect trade and travel in the region through strengthened ship, port and cargo security, improved airline passenger and crew safety and strengthened border controls.



At the first STAR Conference in Bangkok on 23-25 February 2003, co-hosted by the United States and Thailand, APEC brought together key officials from government agencies and leading companies to address trade and security issues in the Asia-Pacific region.

This conference highlighted a range of programs to facilitate the secure movement of goods and people in the APEC region. Capacity building, in particular the need to strengthen the institutional capacity of governments, was cited as being essential to the success of the program. The 2nd STAR Conference will be held in Valparaiso, Chile on 5-6 March 2004.

An APEC High Level Meeting and exhibition of maritime security technology was held in Manila from 8-9 September 2003. The Meeting consolidated the results of other maritime security conferences held in the region in the past year and:

1. Devised an APEC-wide framework/mechanism to enable an exchange of information in maritime security;
2. Drew up an indicative list of capacity-building needs of APEC economies related to the implementation of maritime security measures and to present this to International Financial Institutions;
3. Built a list of technology requirements for a secure maritime environment for each APEC economy; and
4. Strengthened the cooperative partnership with the private sector to enhance maritime trade and security in the APEC region.

As a follow-up to the STAR Initiative, Thailand and the US are developing a pilot demonstration project, the STAR: Bangkok/Laem Chabang Efficient and Secure Trade (BEST) port. This project will showcase the use of e-seal technology to track shipments of secured containers via satellite from the Port of Laem Chabang to the Port of Seattle. The success of this demonstration project could build up confidence for exporters and consumers through enhanced supply chain security in the region.

APEC members have also approved a set of Private Sector Supply Chain Security Guidelines. These non-binding guidelines are business friendly and are encouraged to be used by the private sector to enhance their supply chain security practices. They could also be included in the curriculum of courses designed to teach the principles of supply chain security. A copy of the guidelines is available at [www.apecsec.org.sg](http://www.apecsec.org.sg).

To enhance border security while facilitating faster processing of legitimate passengers, APEC is promoting the adoption of Advance Passenger Information systems (API). In August 2003 APEC economies agreed to common standards for the implementation of unilateral API systems. APEC's API Pathfinder Implementation Strategy allows economies to join the scheme as soon as their circumstances permit.

Australia, Canada, Mexico, New Zealand and the United States have already implemented an API system. Feasibility studies to assist economies assess their infrastructure and administrative requirements for an API system have been conducted in Malaysia, Thailand, the Philippines, Indonesia and Korea. Feasibility studies will be undertaken in a further eight economies over the next 12 months.

A Smart Border Symposium was held in Vancouver, Canada from September 29 to October 1, 2003. The Symposium provided high-level government officials responsible for overall security issues, a detailed understanding of operational aspects of the Canada-US Smart Border Agreement.



APEC's Informal Experts Group on Business Mobility is also strengthening the capacity of APEC economies to deal with border security issues through the implementation of several projects covering: document examination and fraud detection training; standards in travel document security and related issuance systems; and standard codes of professional conduct and service for immigration officers.

APEC's Energy Security Initiative seeks to address disruptions in energy markets and enhance anti-piracy cooperation. Key elements include addressing threats to sea-transport of energy in the APEC region, establishing a system to share real-time information during oil supply emergency situations, building capacity and sharing skills and knowledge in energy emergency response planning and identifying energy security challenges.

APEC Leaders have committed to work cooperatively to build on the considerable counter-terrorism-related training and other assistance being undertaken in the APEC region. APEC's strength is its ability to use its regional web of linkages to share information and to extend Counter Terrorism Capacity Building assistance among its members. A study planned for next year will look for linkages between the various counter terrorism objectives and revealed regional needs. The outcome will promote effective linkages between identified needs and/or opportunities and appropriate regional responses, and match these with expertise that member economies' or donors have to offer.

More information on APEC's counter terrorism programs can be found on its website ([www.apecsec.org.sg/apec/apec\\_groups/som\\_special\\_task\\_groups/counter\\_terrorism.html](http://www.apecsec.org.sg/apec/apec_groups/som_special_task_groups/counter_terrorism.html)).