

# Counter-terrorism and data transfers in international trade

*Frank Altemöller*

This paper will also be published in German: Frank Altemöller 2016/2017, 'Terrorismusbekämpfung und Datentransfer im internationalen Handel', in Martin HW Möllers & Robert Chr. Van Ooyen (eds), *Jahrbuch Öffentliche Sicherheit* [Yearbook Public Safety], pp. 271-9.

## Abstract

---

Recent developments show the growing threat posed by international terrorism – including to global trade. This article begins by outlining the initiatives being taken by the United States (US) and the European Union (EU) for trade security. Their success is, to a considerable extent, dependent on transfers of information between the participating states. But what is the effect of information sharing on the security of data provided by participating companies, for the privacy of citizens and, ultimately, for national sovereignty and the rule of law? This conflict, however, reaches even further. It goes beyond the 'issue of security' and impacts deeply on the relationship between the US and the EU.

---

## 1. Introduction

The recent attacks in Paris and Brussels have shown unequivocally that the fight against terrorism will be one of the dominant policy issues of the future. The attack on New York's World Trade Center, carried out before our eyes on 11 September 2001, had already shown the potential dimensions of terrorism. Terror poses a threat, not only to civil society but also to the world of international trade. Amongst customs and trade experts, a significantly increased awareness of risk has arisen: following 9/11 it was very quickly feared that international container traffic and seaports could become the target of attention of terrorists. From low-security seaports, terrorists could extend their operations to reach international container traffic all over the world. Scenarios were developed, whereby terrorists in inadequately secured seaports could place explosive devices into containers.<sup>1</sup> In such scenarios, a potential threat of unprecedented proportions was quickly identified: In the 'worst case' it was thought possible that, after a series of such attacks, no country could be sure that arriving containers would not contain further explosive devices. In a subsequent panic, large parts of the container-transacted transport sector could, at least temporarily, come to a standstill – with incalculable consequences, not only for individual ports and countries but for the entire global economy.<sup>2</sup>

## 2. Security initiatives for global trade

The United States (US), followed by other countries and the European Union (EU), responded to the growing threat posed by international terrorism with a range of initiatives.<sup>3</sup> These differ from each other in their specific protection objectives, and in their means of implementation. However, a significant, common characteristic is embodied in the fact that, until now, controls on container traffic have been carried out on imports, at the time of their arrival in the importing country. The new initiatives stipulate

that the checks must now be displaced externally, to the actual dispatch location of the goods. The US Customs and Border Protection Service, for example, describes their Container Security Initiative (CSI) as follows:

The Container Security Initiative is a revolutionary program to extend our zone of security by pre-screening containers posing a potential security risk before they leave foreign ports for U.S. seaports. Our goal is to process 85 per cent of all containers headed for the United States through CSI ports by 2007.<sup>4</sup>

The European concept of ‘Authorised Economic Operators’ (AEO) is regulated in Art. 5a of the European Community Customs Code (CC). Important additional rules include Art. 14a to 14x of the Implementing Provisions of the Customs Code (CC-IP). The concept of AEO consists of customs authorities identifying particularly reliable private operators and, following successful completion of an extensive examination procedure (certification), equipping them with specific trade-related privileges (so-called ‘Authorised Economic Operator’). This includes operational benefits – essentially a preferential and rapid settlement of customs procedures.<sup>5</sup> Taken together, these security concepts mean that high-risk cargo is identified before it even has a chance to reach the territory of the state which launched the initiative, (the principle of ‘Pushing Borders Out’).<sup>6</sup> Practical implementation, however, has shown the difficulty in identifying which risks are present at what stages of which supply chains. Therefore, the ‘visibility’ of the supply chain is a critical factor in risk analysis. To determine risks and respond to them appropriately, governments and administrations need precise and up to the minute information about the location of any item of cargo in the supply chain – in other words, the ability to access this information in real time (‘visibility on demand’).

### **3. Data transfers: a central element of the fight against terrorism**

These new security concepts throw up far-reaching questions: Not only regarding data protection generally but extending particularly to the safeguarding of corporate data. Above all though, they raise issues of sovereignty under international law. The initiatives aimed at securing the supply chain break with hitherto common thinking, whereby the state’s security is ensured by those checkpoints that form the national borders. In contrast, it would now be increasingly advantageous to place the security controls even further away.

To achieve this, intelligent systems collect the appropriate data and store it according to highly complex algorithms for specific, but also open-ended, and currently not yet foreseeable, purposes. This requires a high measure of collaboration among trading partners – primarily with the countries from which the consignments most at issue will be sent. Regimes to secure the supply chain can thus be understood as real controls on virtual borders, that is, borders that are projected out for the purpose of safeguarding the territory. For the initiatives to be practically implemented, it is therefore particularly important to achieve cooperation between the countries involved. To accomplish that, numerous agreements have been concluded to provide for mutual recognition and compliance with national and regional security regimes. They are of the utmost importance for international business practice.

For example, on 4 May 2012, the US and the EU reached an agreement for mutual recognition of their Customs-Trade Partnership Against Terrorism (C-TPAT) and AEO safety regimes. This came into effect on 31 January 2013. The agreement includes the comprehensive exchange of all relevant information amongst the participating countries. This mutual recognition is highly advantageous for the affected businesses. The US recognition of the European AEO means that the specific advantages of the C-TPAT are also conferred on business entities that don’t have C-TPAT but, rather, have AEO certification. The same applies for US companies certified as C-TPAT which are then brought within the scope of the AEO.<sup>7</sup>

The participating companies are very positive about their involvement in the international security programs as it bestows on them clear and immediately tangible benefits. As a consequence, however, they must accept a diminished overview of what happens to their trade-related data once it has been submitted – in particular, what further dissemination is implied by international exchange and utilisation. The possession of such data opens up an enormous strategic dimension. It is not surprising, therefore, that the US in particular, has been exposed to considerable criticism for its pioneering role. It has been argued that strategic considerations, rather than security, form the primary goal of the initiative, placing the far wider use of the collected data in the foreground.<sup>8</sup>

This criticism, however, has not gained wide acceptance. Alan D Bersin makes it unequivocally clear how important the unobstructed collection of data is, from the perspective of the US. He quite stridently demands a change in thinking in the area of security, a change that fundamentally calls into question our current understanding of data protection.<sup>9</sup> *‘The challenge of our times is that the future is not what it used to be.’* With this quote from the poet Paul Valéry, Bersin asserts that anyone who is not able to adapt, is stuck in old ways of thinking and fails to recognise the challenge of our times. On a daily basis, the US already exchanges billions of pieces of data with its trade partners – and in this area, ‘less is more’ just does not apply. ‘Those who hoard information today, expecting their power to grow by forcing others to ask for it, soon find themselves isolated and, over time, ignored.’<sup>10</sup> Today, it is critically important that all participating stakeholders contribute to risk reduction, through the exchange of information.

In an ‘anarchic world’, without central global security structures, it resides in the sovereignty of individual states to launch initiatives directed towards this end.<sup>11</sup> However, approaches that remain limited to national initiatives can only inadequately fight the international terrorism phenomenon. And the compromised exchange of information allows even greater latitude for terrorists. Bersin says that information is power, and calls for a different perspective:

Old-fashioned, limited views of national interest, and reflexive notions of privacy and civil liberties, restrict willingness to share, and reinforce parochial and myopic concerns of long duration.<sup>12</sup>

Bersin believes that a solution in the fight against terrorism will only come about through the free exchange of data and the consequent generation of actionable intelligence from that mass of information. And he asserts that data protection, as well as privacy, are assured. Only when signs of a ‘match’ become evident, out of the multitude of anonymous algorithms, will the collected data be combined to produce recoverable information, and the previously existing privacy suspended.

This means that, in international trade, the state borders no longer serve directly as checkpoints for the guarantee of national security. In the future, it will be that exchange of information that determines where the ‘new frontiers’ run.

#### **4. The conflict between security, data transfers and the rule of law**

‘Border’ traditionally signifies, principally, the opportunity to exercise control. But what opportunities for control are offered by the ‘new borders’? Fundamental questions come to mind: What about the protection of corporate data? What are the factors to be considered when balancing legitimate security concerns against other vital interests in need of protection? And above all: How can States ensure their citizens’ fundamental constitutional freedoms in the face of ‘shifting traditional borders’? This development has long since become a reality and, as a result, the conditions affecting sovereignty and the rule of law are changing. As an expression of their national sovereign rights, many states already regulate, to varying degrees, the collection and use of data within the national sphere. From Bersin’s point of view, the legitimisation for exchanging data derives from a ‘bargaining process’:

... the intersection between privacy protection and information sharing to enhance security in the global supply chain and global travel zones is crisp and sharp. One need not reconcile different visions, or points of departure concerning how to think about privacy, in order to arrive at a common proposition regarding what steps are required to protect personal data in a specific case. At end, some application of *informed consent* can account for a satisfactory outcome. In other words, entry and engagement in global travel or supply chain activity embodies a bargain between public authorities and private actors. The contours of the bargain regarding use and dissemination have long been settled once the threshold of *entitlement to collection* has been crossed.<sup>13</sup>

There can be no doubt that States, and the international community, must defend themselves against terrorism. The requirements of counter-terrorism demand that data transfers be conducted on a far higher level. In critical situations, individual countries may not identify threats themselves but are reliant on information from their exchange partners. Additionally, potential risks can be better identified when the respective knowledge of individual countries is synthesised into an overall picture. This raises the question of whether those involved in negotiations on data transfers are fully aware of the associated consequences: Can the delegation of rights be justified in the name of collecting data for ‘open-ended’ purposes? If the criteria under which the information is being collected remain unclear, then any assumptions as to how, and to what ends it will be used later must be, by extension, vague and hypothetical.<sup>14</sup>

In the current debate, the tension between holding on to freedom or surrendering it through the disclosure of information, is becoming increasingly important. There is an argument that the liberal way of life needs to be actively defended to a far greater extent than used to be the case.<sup>15</sup> The philosopher and writer Peter Sloterdijk, in particular, has proved quite polemical and provocative in drawing attention to this tension between enjoying freedom and defending it.<sup>16</sup> Sloterdijk views Europe as being on the defensive. Until now, it has had little will, when required, to impose its interests by force. Rather, it has humbly depended on the quick acting and combat-ready US to take on the task. In this relationship, the peaceable nature of one is made possible only by the boldness of the other. Sloterdijk points out that Europe’s dependency on the defensive umbrella of the US has led to a significant sacrifice of European autonomy. This dependence affects virtually all policy areas, such as the ‘terms of trade’ and many other economic sectors, the ceilings for emissions of exported diesel engines, the implementation of American skills standards or the screening of European data traffic, and even encompasses spying on European political leaders. Consequently, Sloterdijk calls for a stronger Europe and a Europe that speaks with one voice internationally. Only in this way will it be possible to regain lost ‘sovereignty’, including that within the field of data control and usage.

The message, then, is that the international fight against terrorism, specifically in the collaboration between the US and Europe, need not be conducted under asymmetric conditions, characterised by subservience and dependence. Recent developments have unequivocally demonstrated to Europe that its open society must be defended. And Europe well understands the challenge. In meeting that challenge, Europe cannot defend itself from a position of dependency, but only from a position of strength, and this includes extensive cooperation with partners. The key now is how quickly Europe manages, under the preconditions of the considerable diversity and differing interests of the Member States, to formulate and assert its own way.

The dimensions are now shifting. It seems paradoxical that a state of freedom can only be achieved through a simultaneous defensive posture, even though that vigilance – as the example of data security shows – does not leave our civil rights untouched. This raises some far-reaching questions: Can enhanced security and broad political autonomy be achieved only by putting limits on our freedoms and, if so, how much freedom must we surrender, in order to hold on to it at all?

## Summary

The sharing of information between individual states is a central element in maintaining security in international trade. However, these data transfers profoundly impact on both the internal data security of corporations, as well as the privacy of citizens. It also raises fundamental questions about national sovereignty and the rule of law. Will safeguarding against terrorism mean a sacrifice of freedom? In the current debate, Europe is criticised for allowing its established values to be compromised. This comes about largely because Europe maintains its own ‘peaceable nature’ by placing itself in a dependent relationship with the US, a country which, by contrast, is self-assertive and ready to defend its interests and partners. Europe’s reliance on the US goes to almost all policy areas, data security included. It is the position of this contribution, however, that the cooperation between the US and Europe need not be conducted under asymmetric conditions. By engaging in the defence against terrorism, whilst simultaneously pursuing greater security in data sharing, Europe can look after its own interests far more fully than it has done in the past.

## References

- Aigner, Susanne 2010, ‘Mutual recognition of Authorised Economic Operators and security measures’, *World Customs Journal*, vol. 4, no. 1, pp. 47-54.
- Altemöller, Frank 2011a, ‘Towards an international regime of supply chain security: an international relations perspective’, *World Customs Journal*, vol. 5, no. 2, pp. 21-33.
- Altemöller, Frank 2011b, Risikomanagement im internationalen Handel: Wie schützt die Europäische Union den Containerverkehr gegen Terrorismus? [‘Risk management in international trade: How does the European Union protect container traffic against terrorism?’], in Niedostadek/Riedl/Stember (eds), *Risikomanagement im öffentlichen Bereich, Schriftenreihe der Hochschule Harz ‘Forschungsbeiträge zum Public Management 2011’* [‘Risk management in the public sector, from the Hochschule Harz series “Public Management Research Projects 2001”’], vol. 5, pp. 375-400.
- Bersin, Alan D 2012 & 2014, ‘Lines and flows: the beginning and end of borders’, *World Customs Journal*, vol. 6, no. 1, pp. 115-26, and in ‘Special Compilation prepared for Inaugural INCU Global Conference 21-23 May 2014’, pp. 3 ff.
- Bersin, Alan D 2014, ‘Lines and flows: the beginning and end of borders: Addendum I, Information sharing and personal data protection’, *World Customs Journal*, vol. 8, no. 2, pp. 97-9, and in ‘Special Compilation prepared for Inaugural INCU Global Conference 21-23 May 2014’, pp. 3, 15.
- Bures, Oldrich 2011, *EU counterterrorism policy: a paper tiger?*, Ashgate Publishing, Farnham, UK.
- Chang, Kenneth 2009, ‘Explosive on flight 253 is among most powerful’, *New York Times*, 27 December.
- Czyzowicz, Wieslaw 2014, ‘Customs policy and customs law in the contemporary world trade’, in E Gwardzińska, Werner & Wierzbicki (eds), *Customs Policy: Economics, Law and Practice*, Szczecin, pp. 18-52.
- Dahlmann, O, Mackby, J, Sitt, B, Poucet, A, Meerburg, A, Massinin, B, Ifft, E, Asada, M & Alewine, R 2005, ‘Container security: a proposal for a comprehensive code of conduct’, Center for Technology and National Security Policy, National Defense University, Washington, DC.
- Dallimore, Christopher 2007, ‘Securing the Supply Chain: Does the Container Security Initiative Comply with WTO-Law?’, PhD Thesis, University of Münster, Germany.
- European Commission (EC) 2000, Commission Decision of 26 July 2000 pursuant to Directive 95/46/EC of the European Parliament and of the Council on the adequacy of the protection provided by the safe harbour privacy principles and related frequently asked questions issued by the U.S. Department of Commerce, C(2000) 2441, Official Journal L 215, 25 August, pp. 7-47.

- European Commission (EC) 2007, 'Authorised Economic Operators: guidelines', EC, Brussels.
- European Commission (EC) 2011, Directorate-General for Internal Policies: Customs Cooperation in the Area of Freedom, Security and Justice, Brussels.
- European Commission (EC) 2015, Communication from the Commission to the European Parliament and the Council on the Transfer of Personal Data from the EU to the United States of America under Directive 95/46/EC following the Judgment by the Court of Justice in Case C-362/14 (Schrems), Brussels, 6 November 2015 COM(2015) 566 (final).
- Government Accountability Office (GOA) 2008, 'U.S. Customs and Border Protection has enhanced its partnership with import trade sectors, but challenges remain in verifying security practices', Report to Congressional Requestors, April.
- Grainger, Andrew 2007, 'Supply chain security, adding to a complex operational and institutional environment', *World Customs Journal*, vol. 1, no. 2, pp. 17-29.
- Grillot, SR, Cruise, RJ & D'Erman, VJ 2010, *Protecting our ports, domestic and international politics of containerized freight security*, Ashgate Publishing, Farnham, UK.
- Heseler, Heiner 2000, 'New strategies of port enterprises and their effects on the structures in the seaports', in R Dombois, & H Heseler, (eds), *Seaports in the context of globalisation and privatisation*, Maritime Studies, no. 1, pp. 9-27.
- Ireland, Robert 2009, 'The WCO SAFE-Framework of Standards: avoiding excess in global supply chain security policy', WCO Research Paper No. 3, November, Brussels.
- Irish, Maureen 2009, 'Supply chain security programs and border administration', *World Customs Journal*, vol. 3, no. 2, pp. 80-4.
- Keohane, Robert O 2002, 'The public delegitimation of terrorism and coalitional politics', in K Booth & T Dunne (eds), *Worlds in collision: terror and the future of global order*, Palgrave Macmillan, Basingstoke, UK.
- Küchle, Hartmut 2008, Seehäfen als neuralgische Zonen der kritischen Infrastruktur: Sicherheitstechnologische Lösungen und Arbeitsplätze am Beispiel des Hamburger Hafens [Seaports as Sensitive Zones of Critical Infrastructure: Security Solutions and Jobs using Hamburg Harbour as an example], Bonn International Center for Conversion (BICC), Bonn.
- Laden, Michael D 2007, 'The genesis of the US C-TPAT program: lessons learned and earned by the government and trade', *World Customs Journal*, vol. 1, no. 2, pp. 75-80.
- Lilla, Mark 2015, Die stete Verbesserung der Illusionen, Lange wollte man in Frankreich nicht wahrhaben, dass die offene Gesellschaft verteidigt werden muss ['The constant rise of illusions, the French have long refused to believe that their open society needs to be defended'], *Neue Zürcher Zeitung*, 28 November, p. 47.
- Lux, Michael 2011, 'A layman's guide to bringing goods into the EU', *Global Trade and Customs Journal*, vol. 6, section 3, pp. 121-9; section 4, pp. 131-42.
- Mazzetti, Mark & Shane, Scott 2010, 'Evidence mounts for Taliban role in bomb plot', *New York Times*, 5 May.
- Mikuriya, Kunio 2007, 'Supply chain security: the customs community's response', *World Customs Journal*, vol. 1, no. 2, pp. 51-60.
- Neue Zürcher Zeitung (Swiss edition) 2010, 'Reaktion auf die Paketbomben aus dem Jemen' ['Reaction to the parcel bombs from the Yemen'], 9 November.
- Organisation for Economic Co-operation and Development (OECD) 2005, 'Container transport security across modes', European Conference of Ministers of Transport, OECD, Paris.

- Polner, Mariya 2010, 'Compendium of Authorized Economic Operator (AEO) Programmes', WCO Research Paper No. 8, July, Brussels.
- Scholl, Susanne 2009, (Germany Trade and Investment): Gegenseitige Anerkennung von AEO und C-TPAT ['Mutual recognition of AEO and C-TPAT'], Cologne.
- Sloterdijk, Peter 2015, Die Abhängigkeit des Friedfertigen vom Schlagfertigen, *Neue Zürcher Zeitung*, Swiss edition (Meinung und Debatte) ['Operation and debate'], 5 October, p. 8.
- U.S. Customs and Border Protection 2006a, *Container security initiative, 2006-2013 strategic plan*, CBP Publication 0000-0703, Washington, DC.
- U.S. Customs and Border Protection 2006b, *Supply chain best practices catalogue*, Customs-Trade Partnership Against Terrorism (C-TPAT), Washington, DC.
- U.S. Department of Transportation 2009, *America's container ports: freight hubs that connect our nation to global markets*, Bureau of Transportation Statistics, Research and Innovative Technology Administration, Washington, DC.
- Weerth, Carsten 2015, 'AEO programmes worldwide: from MRAs to a general AEO agreement?', *Global Trade and Customs Journal*, vol. 10, section 6, pp. 228-330.
- Widdowson, David 2007, 'The changing role of Customs: evolution or revolution?', *World Customs Journal*, vol. 1, no. 1, pp. 31-7.
- Widdowson, David & Holloway, Stephen 2009, 'Maritime transport security regulation: policies, probabilities and practicalities', *World Customs Journal*, vol. 3, no. 2, pp. 17-42.
- Wieland, Andreas 2009, 'Strategic supply chain security', *Journal of Homeland Security*, March.
- Wolffgang, Hans-Michael & Ovie, Talke 2008, 'Emerging issues in European customs law: Part 3', *World Customs Journal*, vol. 2, no. 1, pp. 3-16.
- World Customs Organization (WCO) 2007, *WCO SAFE Framework of Standards to Secure and Facilitate Global Trade*, WCO, Brussels.

## Notes

- 1 Comparable scenarios are described in, for example: Mazzetti & Shane 2010; Chang 2009; *Neue Zürcher Zeitung* 2010; Küchle 2008.
- 2 For detail, see Altemöller 2011a, 2011b.
- 3 Particularly noteworthy examples at the international level are: UN Security Council resolution No. 1373 from 28 September 2001 and also, No. 1456 from 20 January 2003 and No. 1624 from 14 September 2005, as well as the initiatives of the World Shipping Council. In addition, the G8 adopted an initiative to reinforce security in the area of international transportation: The Cooperative G8 Action on Transport Security, 26 June 2002; the World Customs Organization has developed an international framework (SAFE Framework) to secure and facilitate global trade (WCO 2007); Mikuriya 2007; Ireland 2009; and Grainger 2007. See also OECD 2005.
- 4 U.S. Customs and Border Protection 2006, p. 2; the US security initiatives are discussed by, for example, Irish 2009; Laden 2007. For a general analysis see, for example: Czychowicz 2014; Widdowson 2007; Widdowson & Holloway 2009; Heseler 2000, and Lux 2011.
- 5 European Commission, Authorized Economic Operators 2006, 2007; Wolffgang & Ovie 2008; Polner 2010.
- 6 U.S. Customs and Border Protection 2006a, 2006b, or U.S. Department of Transportation 2009.
- 7 Regarding mutual recognition, see, for example: European Commission 2011; Weerth 2015; Aigner 2010; Scholl 2009, as well as the Government Accountability Office (GOA) 2008.
- 8 See also Dallimore 2007.
- 9 For background, see Bersin 2014.
- 10 Bersin 2014, pp. 3, 7.
- 11 Continued in Grillot, Cruise & D'Erman 2010; Wieland 2009 or, for example, Bures 2011 and Keohane 2002.
- 12 Bersin 2014, pp. 3, 8.

- 13 Bersin 2014, Addendum I, pp. 3, 15.
- 14 The European Court of Justice formulated principles for data transfers in the ‘Schrems’ ruling: ‘Any such framework must therefore have sufficient limitations, safeguards and judicial control mechanisms in place to ensure the continued protection of the personal data of EU citizens including as regards possible access by public authorities for law enforcement and national security purposes’ (European Commission 2015, p. 3). To this effect, on 2 February 2016, the EU Commission and the US approved a new treaty for transatlantic data transfers (EU-US Privacy Shield). This set of rules is intended to address the Commission’s heavily criticised and – by the ECJ – rejected ‘Safe Harbour’ decision (European Commission 2000).
- 15 See, for example, Lilla 2015, p. 47.
- 16 Sloterdijk 2015, p. 8.

### Frank Altemöller



Professor Dr Frank Altemöller is director of the study program ‘European Public Management’ at Harz University of Applied Sciences, as well as a visiting Professor in the Faculty of Law at Münster University in Germany. He completed his university education with an interdisciplinary doctorate at the University of Saint Gallen in Switzerland. He has developed study programs for the German Ministry of Economic Cooperation and Development and has given numerous guest lectures, including in the Middle East, Syria and Africa.